STATE OF KANSAS
Department of Administration
Division of Accounts and Reports

COMPREHENSIVE ANNUAL FINANCIAL REPORT

July 1, 2004 to June 30, 2005

Duane A. Goossen, Secretary
Marilyn Jacobson, Acting Director

STATE OF KANSAS

Department
Of
Administration

Duane A. Goossen

Secretary
of
Administration

Marilyn Jacobson

Acting Director
of
Accounts and Reports

Table of Contents

INTRODUCTION vi

Letter of Transmittal vii
Profile of the Government viii
Financial Information viii
Cash Management viii
Risk Management ix
Pension Trust Fund Operations ix
Acknowledgments ix

Organizational Chart x

List of Selected Officials xi

FINANCIAL SECTION 1

Report of Independent Auditors 3

Management's Discussion and Analysis 5
Financial Highlights 5
Overview of the Financial Statements…. 5
Government-wide Financial Analysis 8
Financial Analysis of the State's Individual Funds 13
General Fund Budgetary Highlights 13
Capital Assets and Debt Administration 14
Economic Factors and Next Year's Budgets and Rates 14

Financial Statements 16
Government-wide - Statement of Net Assets 17
Government-wide - Statement of Activities 18
Balance Sheet - Governmental Funds 20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds 22
Statement of Net Assets - Proprietary Funds 24
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary 25
Statement of Cash Flows - Proprietary Funds 26
Statement of Fiduciary Net Assets 27
Statement of Changes in Fiduciary Net Assets 28

Table of Contents Continued

Notes to the Financial Statements:

I. Summary of Significant Accounting Policies 29
- A. Financial Reporting Entity 29
- B. Government-wide and Fund Financial Statements 31
- C. Measurement Focus of Accounting and Financial Statement Presentation 32
- D. Fund Accounting 33
- E. Assets, Liabilities, and Net Assets or Equity 34
- F. Use of Estimates 37
- G. Pending Governmental Accounting Standards Board Statements 38

II. Stewardship Compliance and Accountability 39
- A. Excess of Expenditures Over Appropriations 39
- B. Deficit Fund Equity 39

III. Detailed Notes on All Funds 40
- A. Deposits and Investments 40
- B. Investments 45
- C. External Investment Pool 67
- D. Receivables 67
- E. Investment in Direct Financing Leases 67
- F. Restricted Assets 68
- G. Capital Assets 68
- H. Interfund Receivables, Payables, and Transfers 72
- I. Short-term Obligations 74
- J. Long-term Obligations 75
- K. Revisions to Beginning Net Assets 86

IV. Other Information 87
- A. Risk Management 87
- B. Contingencies and Commitments 88
- C. Post Employment Benefits 89
- D. Employee Retirement Systems and Pension Plans 90
- E. Subsequent Events 91

REQUIRED SUPPLEMENTARY INFORMATION 94

Budgetary Information 95

Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:
- General Fund 96
- General Fund - Budgetary to GAAP Reconciliation 97
- Social and Rehabilitation Services Fund 98
- Social and Rehabilitation Services Fund - Budgetary to GAAP Reconciliation 99
- Transportation Fund 100
- Transportation Fund - Budgetary to GAAP Reconciliation 101

Support of Modified Approach for Kansas Department of Transportation Infrastructure Reporting 102

Table of Contents Concluded

OTHER SUPPLEMENTARY INFORMATION 104

Listing of Non-major Governmental Funds 105
Combining Balance Sheet – Governmental Non-major Funds 107
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Non-major Funds 115
Listing of Non-major Proprietary Funds 123
Combining Statement of Net Assets – Proprietary Non-major Funds 124
Combining Statement of Revenues, Expenditures, and Changes in Fund Net Assets – Proprietary Non-major Funds 125
Listing of Non-major Internal Service Funds 126
Combining Statement of Net Assets – Non-major Internal Service Funds 127
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-major Internal Service Funds 129
Listing of Component Units 131
Combining Statement of Net Assets – Component Units 132
Combining Statement of Activities – Component Units 133

STATISTICAL SECTION: (Unaudited) 134

Government-wide
Expenses by Function 135
Revenues 135

General Governmental
Expenditures by Function 136
Revenues by Source 136

State General Funds
Comparison of Resources Available for Appropriations 137
Ten Year Comparison General Fund Balance 137
Cash Revenues Last Ten Fiscal Years 138

Demographic Statistics
Demographic Statistics Last Ten Years 140

Employment Statistics
Major Employers in Kansas 141

Kansas Facts 143

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* 144

INTRODUCTION

K A N S A S

KATHLEEN SEBELIUS, GOVERNOR
DUANE GOOSSEN, SECRETARY

MARILYN JACOBSON, ACTING DIRECTOR

DEPARTMENT OF ADMINISTRATION
DIVISION OF ACCOUNTS AND REPORTS

December 30, 2005

The Honorable Kathleen Sebelius, Governor of the State of Kansas
Members of the Legislature and
Citizens of the State of Kansas:

It is my pleasure to submit to you the 52nd Annual Financial Report of the State of Kansas for the fiscal year ended June 30, 2005, as provided by Kansas Statutes Annotated (K.S.A.) 75-3735. This Comprehensive Annual Financial Report (CAFR) has been prepared in conformance with generally accepted accounting principles (GAAP). The objective of this is to provide a clear picture of the government as a single, unified entity as well as providing traditional fund based financial statements.

This report is presented in three sections. The Introductory Section includes this transmittal letter, the organizational chart and a listing of selected officials. The Financial Section includes the independent auditors' report, Management's Discussion and Analysis, the basic financial statements and notes, the Required Supplementary Information and Other Supplementary Information. The Statistical Section includes unaudited tables and financial trend information.

This report is prepared by the Department of Administration, Division of Accounts and Reports. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the State government and this office. The enclosed information is accurate in all material respects and is reported to present fairly the financial position and activities of the State of Kansas. All necessary disclosures to enable the reader to understand the State's financial activities have been included.

The State's financial statements have been audited by Allen, Gibbs & Houlik, L.C. and Berberich Trahan & Co., P. A., two firms of licensed Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the State of Kansas for the fiscal year ended June 30, 2005, are free of material misstatement. This independent audit was part of the federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards here also require the auditor to report on the State of Kansas' internal controls and compliance with legal requirements. A copy of the separately issued Single Audit Report can be obtained from the Legislative Division of Post Audit.

LANDON STATE OFFICE BUILDING, 900 SW JACKSON ST., STE.351, TOPEKA, KS 66612-1248
Voice 785.296.2311 Fax 785.2966841 http://da.state.ks.us/

PROFILE OF THE GOVERNMENT

The State government is comprised of three branches: the Executive Branch, with the Governor as chief executive; the Legislative Branch, consisting of a Senate of 40 members and a House of Representatives of 125 members; and the Judicial Branch, which includes the Supreme Court, the Appeals Court and the District Trial Courts. The State provides a full range of services including education, safety, social services, recreation and transportation. The annual budget serves as the foundation of the State's financial planning and control. On or before October 1, agencies are required to submit annually or biennially budget estimates for the next fiscal year to the Division of Budget. These estimates are used in preparing the Governor's budget report. On or before the eighth calendar day of each regular legislative session, the Governor is required to submit the budget report to the Legislature. However in the case of the regular legislative session immediately following the election of a governor who was elected to the Office of Governor for the first time, that governor must submit the budget report to the Legislature on or before the 21st calendar day of that regular session.

FINANCIAL INFORMATION

Kansas has a centrally maintained computerized double-entry accounting system. Management is responsible for establishing and maintaining an internal control structure to ensure that government assets are protected from loss, theft or misuse, and that adequate data are compiled to prepare meaningful financial statements. Internal accounting controls have been implemented for reasonable, but not absolute, assurance for safeguarding assets and accurately recording financial transactions. "Reasonable assurance" is based upon the premise that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of cost and benefits requires estimates and judgements by management. As a recipient of federal financial assistance, the State is also responsible for implementing internal controls for compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the government.

The State also maintains budgetary restrictions and controls, which are imposed through annual appropriations and limitations, approved by the Legislature. Annual appropriated budgets are adopted for the State General Fund and certain Special Revenue, Capital Project, Enterprise, Internal Service and Trust and Agency funds. The level of budgetary control in the central accounting system is usually established by agency, fund and budget unit. Budgetary control is maintained by mechanisms in the accounting system, which prevent expenditures and firm encumbrances in excess of appropriations or limitations and/or available cash. Encumbrances are reported as expenditures for budgetary purposes and reserved and designated fund balances in the financial statements included in this report.

CASH MANAGEMENT

On a daily basis, the State monitors receipts to, and expenditures out of, the State Treasury. It also employs cash flow tools and techniques that maximize revenues without incurring undue risk. The State invests idle funds to match anticipated cash flow needs by using government securities, collateralized bank deposits, and high grade commercial paper to provide safety, liquidity, and yield, in that order. As a cash flow management policy, the State seeks to avoid borrowing from its own idle funds to meet expenditure obligations of the State General Fund.

The State maintains investments in addition to idle moneys. Authorized agencies may make investments independently of the State Treasury pooled cash. Generally the Pooled Money Investment Board (PMIB) acts as agent for these investments. Certain funds, such as Kansas Public Employees Retirement System and the Employment Security Fund, are statutorily exempted from PMIB oversight. Deposits in the Municipal Investment Pool, an investment option established by the 1992 legislature for local governments, are also invested by the PMIB.

RISK MANAGEMENT

The State maintains a combination of commercial insurance and self-insurance to cover the risk of losses to which it may be exposed. This is accomplished through risk management and various outside entity commercial insurance providers. It is the policy of the State to cover the risk of certain losses to which it may be exposed through risk management activities. In general, the State is self-insured for certain health care claims (prescription drug and dental plus three of eight medical health plan options), State employee workers' compensation, long-term disability, tort liability, personal property, and real estate property losses up to $500,000 (except where separate coverage is required by bond covenant). The State has commercial vehicle liability coverage on all vehicles, and a statewide commercial policy on real property valued at $500,000 or more (except where separate coverage is required by bond covenant). Insurance settlements have not exceeded insurance coverage for the past three fiscal years.

Risk is managed by positively addressing various benefits and liabilities through review, legislation and administration to assure that claims are promptly and correctly adjudicated and that appropriate and fair benefits and liabilities are reflected in the statutes and regulations. Where cost effective and appropriate, such as limiting the impact of a catastrophic occurrence to the State buildings, the State has limited its exposure through high deductible catastrophic loss insurance.

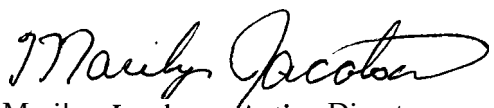
PENSION TRUST FUND OPERATIONS

The Kansas Public Employees Retirement System is an umbrella organization administering three statewide retirement systems under one plan. These systems are Kansas Public Employee Retirement System, Kansas Police and Firemen's Retirement System and Kansas Retirement System for Judges. Further information on State participation in the retirement system can be found in the Notes to the Financial Statements located in the Financial Section.

ACKNOWLEDGEMENTS

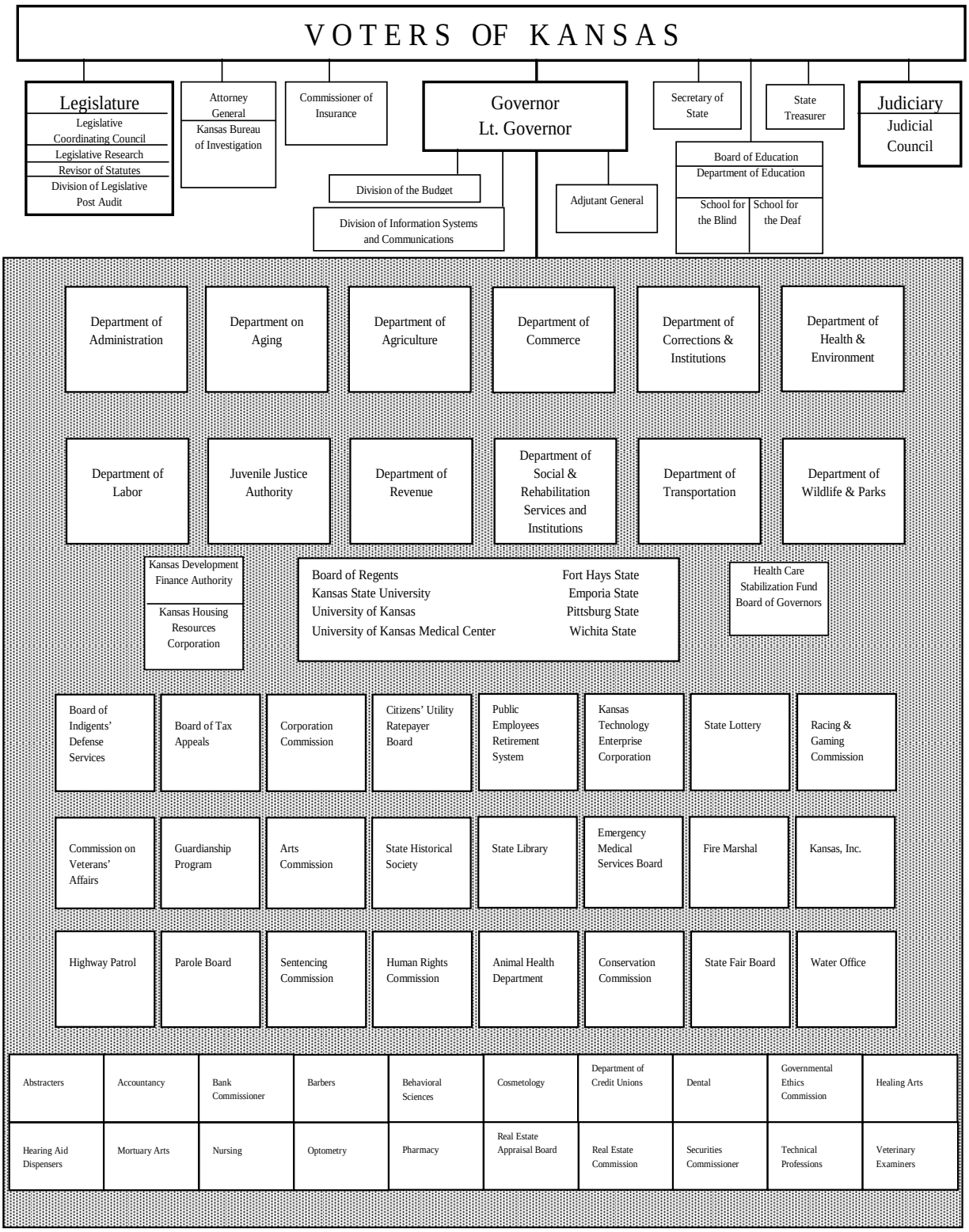
I wish to express my deepest appreciation and thanks to those on my staff responsible for the preparation of this report. It is through their dedicated effort that this report was made possible. I also wish to thank the many other individuals in the State agencies whose contributions made this report possible.

Sincerely,



Marilyn Jacobson, Acting Director
Division of Accounts and Reports

State of Kansas
Organizational Chart
June 30, 2005



Executive Branch

Governor
Kathleen Sebelius

Lieutenant Governor
John E. Moore

Secretary of State
Ron Thornburgh

State Treasurer
Lynn Jenkins

Attorney General
Phill Kline

Commissioner of Education
Dr. Andy Tompkins

Commissioner of Insurance
Sandy Praeger

Legislative Branch

Speaker of the House of Representatives
Doug Mays

Speaker Pro Tempore of the House of Representatives
Ray Merrick

President of the Senate
Stephen R. Morris

Vice President of the Senate
John Vratil

Chief Clerk of the House of Representatives
Janet E. Jones

Secretary of Senate
Pat Saville

Legislative Coordinating Council
Dave Kerr

Legislative Research
Alan Conroy

Judicial Branch

Supreme Court of Kansas
Chief Justice
Kay McFarland

Justices
Donald L. Allegrucci
Carol A. Beier
Robert E. Davis
Robert L. Gernon
Marla J. Luckert
Lawton R. Nuss

Court of Appeals
Chief Judge
Gary W. Rulon

Judicial Council
Executive Director
Randy M. Hearrell

Judicial Administrator
Howard P. Schwartz

FINANCIAL

SECTION

THIS PAGE INTENTIONALLY BLANK

AGH ALLEN, GIBBS & HOULIK, L.C.
Certified Public Accountants & Consultants
Epic Center • 301 N. Main, Suite 1700
Wichita, Kansas 67202-4868
(316) 267-7231 • FAX (316) 267-0339
www.aghlc.com

Berberich Trahan & Co., P.A.
Certified Public Accountants
3630 SW Burlingame Road
Topeka, KS 66611-2050
Telephone 785 234 3427
Toll Free 1 800 530 5526
Facsimile 785 233 1768
E-mail cpa@cpakansas.com

INDEPENDENT AUDITORS' REPORT

Legislative Post Audit Committee
Kansas State Legislature
State of Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Kansas (State), as of and for the year ended June 30, 2005, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the various component units of the six state universities which represent 33 percent and 27 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the six state universities in the aggregate discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

McGLADREY NETWORK
An Independently Owned Member
Worldwide Services Through RSM International

In accordance with *Government Auditing Standards,* we have also issued our report dated December 23, 2005 on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 5 to 15 and the schedules of budgetary comparison, and the information needed to support the modified approach for infrastructure reporting on pages 95 through 103 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Allen, Gibbs & Houlik, L.C.

December 23, 2005
Wichita, Kansas

Berberich Trahan & Co., P.A.

December 23, 2005
Topeka, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative overview and analysis of the State of Kansas Comprehensive Annual Financial Report (CAFR) is provided for readers of the financial statements for the fiscal year ended June 30, 2005. This information is to be used in conjunction with the additional information furnished in the preceding letter of transmittal and with the financial statements that follow. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

Government-wide highlights:

- The assets of the State exceeded its liabilities at fiscal year ending June 30, 2005 by $10.1 billion (presented as "net assets"). Of this amount, $0.8 billion was reported as unrestricted net assets, which represents the amount available to be used to meet ongoing obligations to citizens and creditors.

- Total net assets increased by $583 million (6.2% increase) in fiscal year 2005. Net assets of governmental activities increased by $458 million (5.2% increase), and net assets of the business-type activities increased $125.0 million (19.3% decrease).

Fund highlights:

- For fiscal year 2005, the governmental funds reported a combined ending fund balance of $1,086 million, a increase of $98 million in comparison with the prior year. Of the total amount, $774 million represents the fund balance of the Transportation Fund. There is ($202) million in the "unreserved fund balances" with all being in the Transportation Fund and Transportation-Capital Project Fund. The reserved balances of $1,288 million include the reserve for advances to other funds of $205 million and the reserve for encumbrances of $990 million.

Long-term debt:

- The State's total long-term debt obligation showed a net increase of $477 million (13.3%) during the current year. This increase was primarily due to the increase of $365 million in revenue bonds, $12 million in STAR bonds and $102 million in other long-term obligations.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State of Kansas basic financial statements. The basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Basic Financial Statements

The basic financial statements include two kinds of financial statements that present different views of the State – the ***Government-wide Financial Statements*** and the ***Fund Financial Statements.*** These financial statements also include the ***Notes to the Financial Statements*** that explain some of the information in the financial statements and provide more detail.

Government-wide Financial Statements

The *Government-wide Financial Statements* provide a broad view of operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the financial position to assist in assessing the State's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This method is similar to those used by most businesses and takes into account all revenues and expenses connected with the fiscal year, even if cash involved has not been received or paid. The government-wide financial statements include two statements:

The S*tatement of Net Assets* presents all of the government's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the State's net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The S*tatement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the State.

Both of the above financial statements have separate sections for three different types of State programs or activities. These three types of activities are:

Governmental Activities – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal grants). Most services normally associated with State government fall into this category, including education, general government, health services, judiciary services, museums, natural resources, public safety, defense, regulatory services, social services, and transportation.

Business-type Activities – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services.

Discretely Presented Component Units – These are operations for which the State has financial accountability but they have certain independent qualities as well. For the most part, these entities operate similar to private sector businesses and the business-type activities described above.

Financial statements of the individual component units can be found in the combining statements. Addresses and other additional information about component units are presented in the notes to the financial statements. The government-wide financial statements can be found immediately following this discussion and analysis.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the State government, reporting the operations in more detail than the government-wide statements. All of the funds can be divided into three categories. It is important to note that these fund categories uses different accounting approaches and should be interpreted differently. The three categories of funds financial statements are:

Governmental Funds Financial Statements - Most of the basic services provided by the State are financed through governmental type funds. Governmental funds are used to account for the functions reported as

governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of expendable resources. They also focus on the balances of expendable resources available at the end of the fiscal year. This information may be helpful in evaluating the government's near-term financial requirements. This approach is known as the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of State finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State.

Because the focus of governmental funds is narrower than that of the government statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The State has four governmental funds considered major funds for presentation purposes. Each major fund is presented in a separate column in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances. The four governmental funds are – the General Fund, the Transportation Fund, the Transportation-Capital Projects Fund, and the Social and Rehabilitation Services Fund. The basic governmental funds financial statements can be found immediately following the government-wide statements.

Proprietary Funds Financial Statements – These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers including local governments, they are known as enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

The State's major proprietary funds for presentation purposes are the Employment Security Fund (within the Department of Labor), the Water Pollution Control and Public Water Supply Revolving Loan Fund (within the Department of Health and Environment) and the Health Care Stabilization Fund.

The basic proprietary funds financial statements can be found immediately following the governmental fund financial statements.

Fiduciary Funds Financial Statements – These funds are used to account for resources held for the benefit of parties outside the State government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the State's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. They use the accrual basis of accounting.

The fiduciary funds are the Kansas Public Employees Retirement Fund, the Investment Trust Fund (which accounts for the transactions, assets, liabilities and fund equity of the external investment pool), The College Savings Program (a private purpose trust fund) and the Agency Funds (which account for the assets held for distribution by the State as an agent for other governmental units, other organizations or individuals). Individual fund detail can be found in the combining financial statements described below.

The basic fiduciary funds financial statements can be found immediately following the proprietary funds financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following the financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which consists of schedules and related notes. Schedules include budgetary comparisons for the major funds and the Kansas Department of Transportation modified approach explanation. Comparisons can be made between the original budget, final budget, and actual revenues and expenditures. This section also includes in the notes reconciliation between budgetary basis and the accrual basis for major funds as presented in the governmental funds financial statements.

Other Supplementary Information

Combining Financial Statements

The combining financial statements are presented following the required supplementary information. The total columns of these combining financial statements carry to the applicable fund financial statement.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the financial position of a government. The combined net assets of the State (government and business-type activities) totaled $10.1 billion at the end of 2005, compared to $9.5 billion at the end of the previous year, and increase of 6.2%.

The largest portion of net assets reflects investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets), less any related debt used to acquire those assets that are still outstanding. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

State of Kansas Net Assets – Primary Government
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current assets	$ 2,668,896	$ 2,534,056	$ 1,628,325	$ 1,426,802	$ 4,297,221	$ 3,960,858
Capital assets	10,649,935	10,122,160	247	477	10,650,182	10,122,637
Other assets	14,625	13,715	16,719	15,321	31,344	29,036
Total assets	13,333,456	12,669,931	1,645,291	1,442,600	14,978,747	14,112,531
Non-current liabilities	2,368,573	1,897,493	812,184	721,306	3,180,757	2,618,799
Other liabilities	1,677,861	1,943,421	60,984	74,166	1,738,845	2,017,587
Total liabilities	4,046,434	3,840,914	873,168	795,472	4,919,602	4,636,386
Invested in capital assets, net of related debt	8,435,125	7,855,107	247	479	8,435,372	7,855,586
Restricted	89,640	142,188	766,234	589,332	855,874	731,520
Unrestricted	762,257	831,722	5,642	57,317	767,899	889,039
Total net assets	$ 9,287,022	$ 8,829,017	$ 772,123	$ 647,128	$ 10,059,145	$ 9,476,145

An additional portion of net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the ongoing obligations to citizens and creditors. Internally imposed designations of resources are not represented as restricted net assets.

At the end of the current fiscal year, the State is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Changes in Net Assets

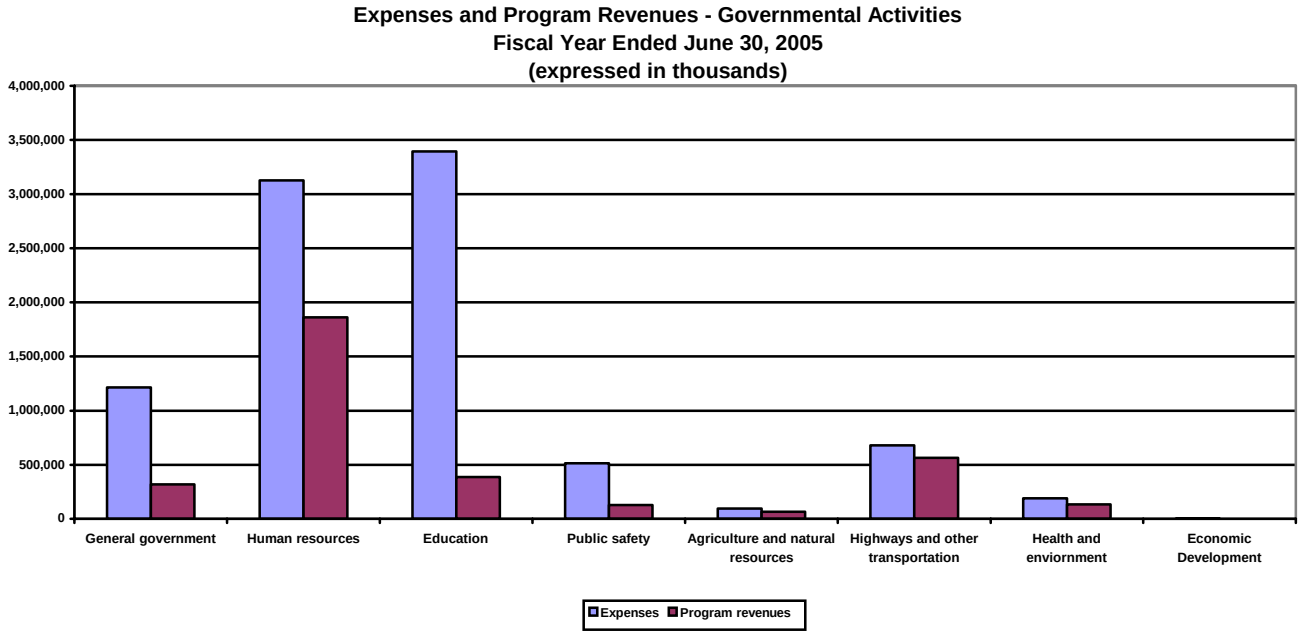
Net assets increased by $583 million or 6.2%. Approximately 57.2% of the total revenue came from taxes, while 28.6% resulted from grants and contributions (including federal aid). Charges for various goods and services provided 11.0% of the total revenues. Expenses cover a range of services. The largest expenses of total expenses were for education (34.9%), human resources (32.1%), and general government (12.5%).

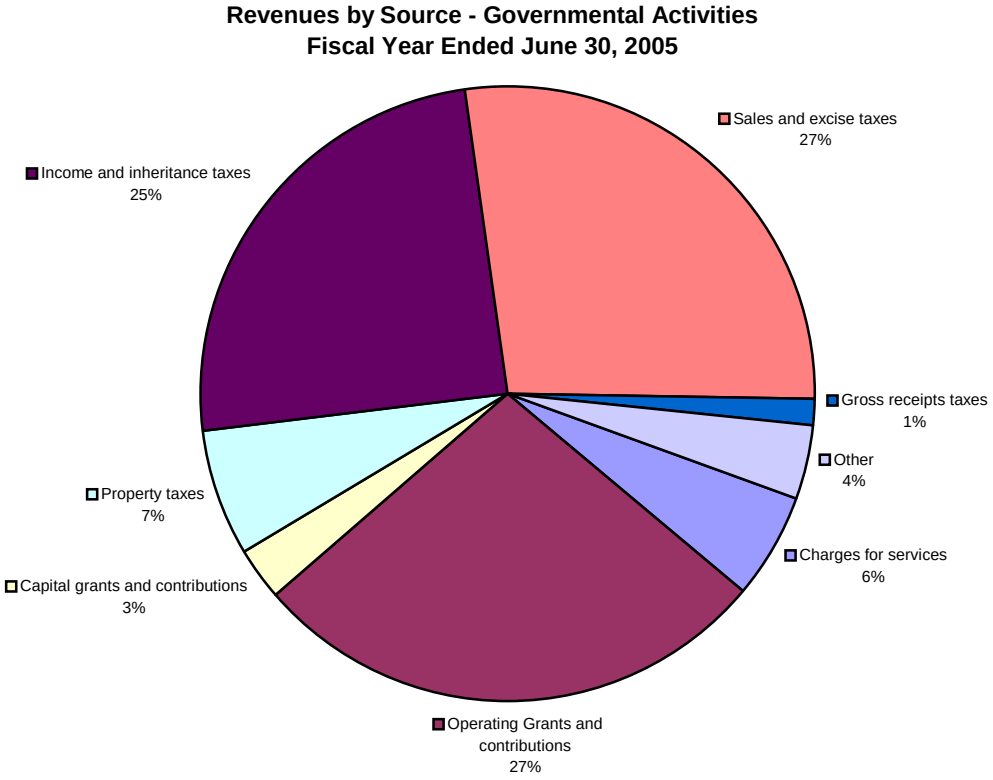
State of Kansas Changes in Net Assets – Primary Government
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	$ 545,652	$ 698,979	$ 590,788	$ 552,651	$ 1,136,440	$ 1,251,630
Operating grants and contributions	2,653,128	2,499,196	10,342	87,944	2,663,470	2,587,140
Capital grants and contributions	255,911	204,555	24,080	32,677	279,991	237,232
General revenues:						
Taxes						
Property taxes	666,698	648,604	0	0	666,698	648,604
Income and inheritance taxes	2,385,369	2,104,072	0	0	2,385,369	2,104,072
Sales and excise taxes	2,660,026	2,510,227	0	0	2,660,026	2,510,227
Gross receipts taxes	127,336	127,953	0	0	127,336	127,953
Investment earnings	26,401	11,437	29,507	28,290	55,908	39,727
Other revenue	275,320	232,168	55,757	28,024	331,077	260,192
Total revenues	9,595,841	9,037,191	710,474	729,586	10,306,315	9,766,777
Expenses:						
General government	1,215,280	1,615,560	0	0	1,215,280	1,615,560
Human resources	3,124,978	3,106,382	0	0	3,124,978	3,106,382
Education	3,393,376	3,201,981	0	0	3,393,376	3,201,981
Public safety	514,904	438,540	0	0	514,904	438,540
Agriculture and natural resources	93,528	88,870	0	0	93,528	88,870
Highways and other transportation	679,952	777,697	0	0	679,952	777,697
Health and environment	189,908	176,436	0	0	189,908	176,436
Economic Development	3,293	0	0	0	3,293	0
Water pollution and safety	0	0	30,499	28,975	30,499	28,975
Health care stabilization	0	0	39,897	33,874	39,897	33,874
Employment security	0	0	280,644	468,413	280,644	468,413
Workers' compensation	0	0	2,273	2,842	2,273	2,842
Lottery	0	0	145,496	154,774	145,496	154,774
Intergovernmental transfer program	0	0	9,287	1,210	9,287	1,210
Total expenses	9,215,219	9,405,466	508,096	690,088	9,723,315	10,095,554
Increase (decrease) in net assets before transfers	380,622	(368,275)	202,378	39,498	583,000	(328,777)
Transfers	77,383	68,294	(77,383)	(68,294)	0	0
Change in net assets	458,005	(299,981)	124,995	(28,796)	583,000	(328,777)
Net assets, beginning of year	8,829,017	9,071,027	647,128	1,678,528	9,476,145	10,749,555
Revisions to beginning net assets	0	57,971	0	(1,002,604)	0	(944,633)
Net assets, beginning of year (restated)	8,829,017	9,128,998	647,128	675,924	9,476,145	0 9,804,922
Net assets, end of year	$ 9,287,022	$ 8,829,017	$ 772,123	$ 647,128	$ 10,059,145	$ 9,476,145

Governmental Activities

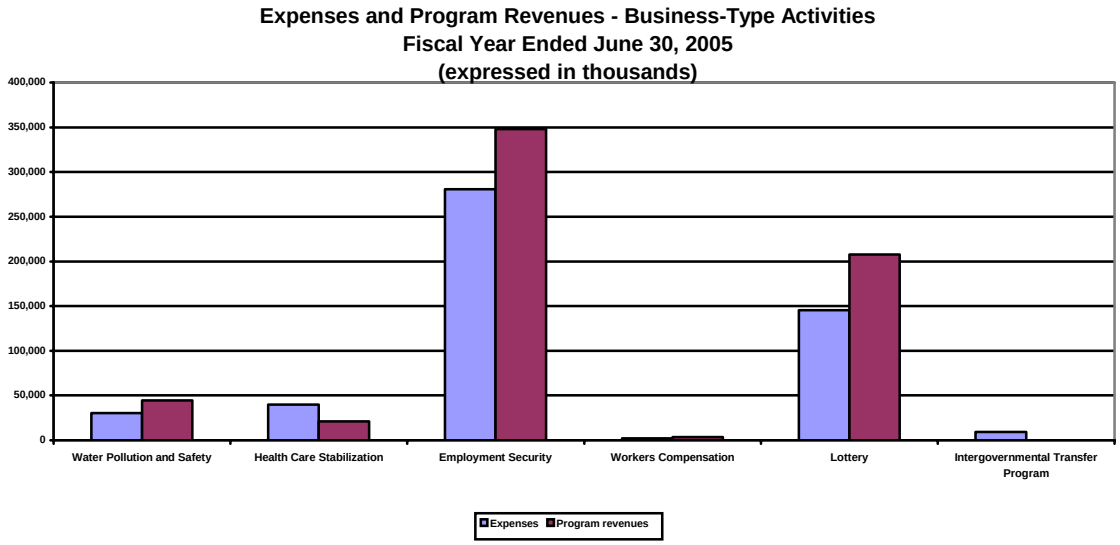
Governmental activities increased net assets by $458 million in fiscal year 2005. For the State's governmental activities a comparison of the cost of services by function along with program revenues and a summary of revenues by source are shown below:

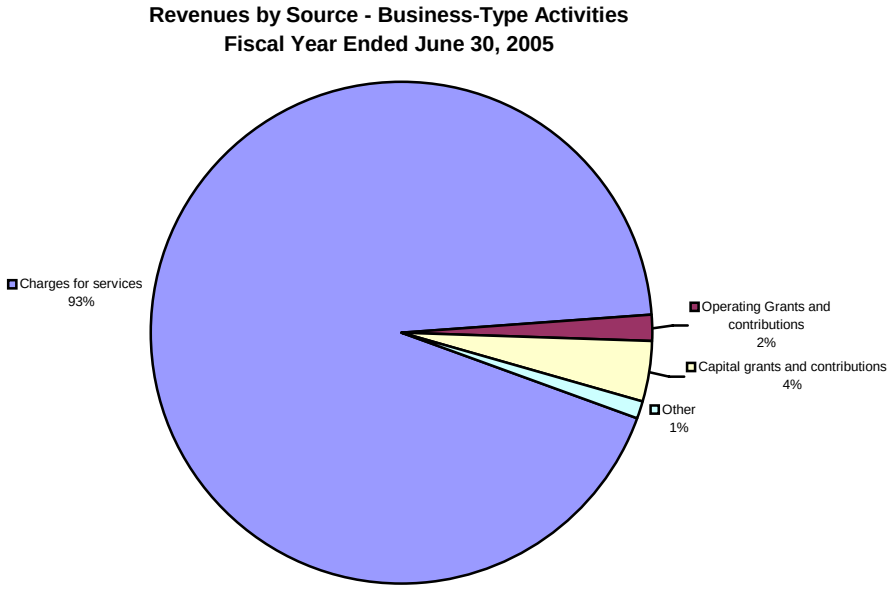



Revenues by Source - Governmental Activities
Fiscal Year Ended June 30, 2005
Sales and excise taxes 27%
Income and inheritance taxes 25%
Gross receipts taxes 1%
Other 4%
Charges for services 6%
Operating Grants and contributions 27%
Capital grants and contributions 3%
Property taxes 7%

Business-Type Activities

The State's business-type activities increased the net assets of the State by $125 million. For the State's business-type activities a comparison of the cost of services by function along with program revenues and a summary of revenues by source are shown below:




Revenues by Source - Business-Type Activities
Fiscal Year Ended June 30, 2005
Charges for services 93%
Operating Grants and contributions 2%
Capital grants and contributions 4%
Other 1%

FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

For fiscal year 2005, the governmental funds reported a combined ending fund balance of $1,086 million, an increase of $98 million in comparison with the prior year. Part of this fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior fiscal year in the amount of $990 million and for advances in the amount of $205 million.

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, unreserved fund balance of the General Fund was a $297 million, while the total fund balance reached $312 million. As a measure of liquidity of the General Fund, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 5.4 percent of total General Fund expenditures, while total fund balance represents 5.7 percent of that same amount. The fund balance in the General Fund increased by $179 million during the current fiscal year.

Proprietary Funds

Proprietary funds provide the same type of information found in the government-wide financial statements.

As discussed in the business-type activities above, the State's net assets increased by $125.0 million as a result of operations in the proprietary funds. This resulted from a $110 million increase in net assets by the Unemployment Insurance Fund and an increase of net assets of $28 million by the State's program for making loans to local government units for water pollution and public water supply projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences existed between the original budget and the final budget. Revenue estimates were raised by approximately $55 million and expenditure estimates were raised by approximately $26 million. The original estimates provided for an excess of revenues over expenditures of a negative $72 million. The final budget provided for an excess of a negative $43 million of revenues over expenditures. Subsequently, fiscal year 2005 was closed with an excess of revenues over expenditures of $151 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

State investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to $10.7 billion. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the State, such as roads and bridges.

The Kansas Department of Transportation used the modified approach for valuing their infrastructure. The roadways' conditions are assessed using a pavement management system. The bridges' conditions are assessed using the Pontis Bridge Management System. The conditions for the roadways and the bridges exceeded the Department's policy for minimum condition levels.

The total increase in the investment in capital assets for its governmental and business-type activities for the current fiscal year was about 5.2 percent in terms of net book value. The majority of capital asset expenditures were used to construct or reconstruct roads and bridges. Depreciation charges for the year totaled $53 million. Additional information on the capital assets can be found in Note III of the notes to the financial statements of this report.

Debt Administration

The State of Kansas does not have the statutory authority to issue general obligation bonds. The Legislature has authorized the issuance of specific purpose revenue bonds and other forms of long-term obligations.

KDFA is a public body politic and corporate, constituting an independent instrumentality of the State of Kansas. It was created to enhance the ability of the State to finance capital improvements and improve access to long-term financing for State agencies, political subdivisions, public and private organizations, and businesses.

The total long-term bond debt obligations increased by $365 million during the current fiscal year. The key factor in this increase was the issuance of $200 million for Highway Bonds, KDOT Series 2004 B, and $176 million in Public Water Supply Revolving Loan Fund Bonds, KDFA Series 2004 1 & 2, less $82 million for various Bonds refunded by Series 2004 1 & 2.

Additional information on long-term debt obligations can be found in Note III of the notes to the financial statements of this report.

ECONOMIC FACTORS

According to the Kansas Department of Human Resources *Kansas Labor Market Information News Release* for July 2005, employment for nonfarm jobs in the State of Kansas for June 2005 is improving. Compared to June 2004, employment increased by 16,100 jobs for a total of 1.4 million nonfarm jobs. Kansas has had 12 consecutive months of over-the-year job growth. The unemployment rate was 5.3 percent for June 2005, compared to 5.8 percent in June 2004.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of State finances for all of Kansas's citizens, taxpayers, customers, and investors and creditors. This financial report seeks to demonstrate State accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Marilyn Jacobson, Acting Director of Accounts and Reports
900 S.W. Jackson, Room 351S
Landon State Office Building
Topeka, KS 66612-1248

Financial Statements

State of Kansas

Government Wide - Statement of Net Assets

June 30, 2005

(expressed in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
ASSETS				
Cash and cash equivalents	$ 1,200,785	$ 71,789	$ 1,272,574	$ 422,342
Investments	633,324	318,266	951,590	1,800,069
Receivables (net)	715,928	686,497	1,402,425	254,984
Due from primary government				
Investment in direct financing leases, due within one year	0	0	0	16,460
Investment in direct financing leases, due in more than one year	0	0	0	269,210
Internal balances	789	(789)	0	0
Inventories	22,487	1,150	23,637	10,803
Other current assets	0	0	0	17,340
Restricted cash and cash equivalents	95,583	470,024	565,607	10,242
Restricted investments	0	81,388	81,388	94,412
Capital assets (net of accumulated depreciation)	1,226,882	247	1,227,129	1,286,753
Infrastructure	9,423,053	0	9,423,053	0
Other non-current assets	14,625	16,719	31,344	23,031
Total assets	13,333,456	1,645,291	14,978,747	4,205,646
LIABILITIES				
Accounts payable and other current liabilities	725,225	22,059	747,284	308,666
Due to component unit				
Lease revenue bonds payable, due within one year	16,460	0	16,460	0
Lease revenue bonds payable, due in more than one year	269,210	0	269,210	0
Deferred revenue	12,464	0	12,464	71,632
Bonds payable on demand	755,115	0	755,115	0
Short-term notes payable	9,082	0	9,082	0
Noncurrent liabilities				
Due within one year	159,515	38,925	198,440	86,297
Due in more than one year	2,074,505	639,783	2,714,288	863,297
Claims and judgements	24,858	172,401	197,259	0
Total liabilities	4,046,434	873,168	4,919,602	1,329,892
NET ASSETS				
Invested in capital assets, net of related debt	8,435,125	247	8,435,372	2,408,580
Restricted for:				
Capital projects	0	0	0	117,415
Debt service	74,213	0	74,213	24,997
Other purposes	15,427	766,234	781,661	124,298
Unrestricted	762,257	5,642	767,899	200,464
Total net assets	$ 9,287,022	$ 772,123	$ 10,059,145	$ 2,875,754

The notes to the financial statements are an integral part of this statement.

State of Kansas

Government Wide - Statement of Activities

For the Fiscal Year Ended June 30, 2005

(expressed in thousands)

	Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Program Revenues: Capital Grants
1	**Primary government:**				
2	Governmental activities:				
3	General government	$ 1,215,280	$ 231,114	$ 88,847	$ 168
4	Human resources	3,124,978	31,500	1,827,245	3,110
5	Education	3,393,376	5,946	380,423	0
6	Public safety	514,904	23,689	102,933	10
7	Agriculture and natural resources	93,528	47,388	17,624	0
8	Highways and other transportation	679,952	180,382	130,121	252,623
9	Health and environment	189,908	25,633	105,935	0
10	Economic development	3,293	0	0	0
11	Total governmental activities	9,215,219	545,652	2,653,128	255,911
12	Business-type activities:				
13	Water pollution and safety	30,499	20,462	0	24,080
14	Health care stabilization	39,897	21,244	0	0
15	Employment security	280,644	337,679	10,342	0
16	Workers' compensation	2,273	3,464	0	0
17	Lottery	145,496	207,772	0	0
18	Intergovernmental transfer program	9,287	167	0	0
19	Total business-type activities	508,096	590,788	10,342	24,080
20	**Total primary government**	$ 9,723,315	$ 1,136,440	$ 2,663,470	$ 279,991
21					
22	**Component units:**				
23	Kansas Development Finance Authority	$ 1,184	$ 1,744	$ 0	$ 0
24	Kansas Technology Enterprise Corporation	14,305	1,349	13,150	0
25	State University System	2,272,497	1,029,238	305,079	181
26	Kansas Housing Resources Corporation	65,606	4,020	2,822	0
27	**Total component units**	$ 2,353,592	$ 1,036,351	$ 321,051	$ 181

The notes to the financial statements are an integral part of this statement.

	Net (Expense) Revenue and Changes in Net Assets			
	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
	$ (895,151)	$ 0	$ (895,151)	$ 0
	(1,263,123)	0	(1,263,123)	0
	(3,007,007)	0	(3,007,007)	0
	(388,272)	0	(388,272)	0
	(28,516)	0	(28,516)	0
	(116,826)	0	(116,826)	0
	(58,340)	0	(58,340)	0
	(3,293)	0	(3,293)	0
	(5,760,528)	0	(5,760,528)	0
	0	14,043	14,043	0
	0	(18,653)	(18,653)	0
	0	67,377	67,377	0
	0	1,191	1,191	0
	0	62,276	62,276	0
	0	(9,120)	(9,120)	0
	0	117,114	117,114	0
	$ (5,760,528)	$ 117,114	$ (5,643,414)	$ 0
	$ 0	$ 0	$ 0	$ 560
	0	0	0	194
	0	0	0	(937,999)
	0	0	0	(58,764)
	$ 0	$ 0	$ 0	$ (996,009)
General revenues:				
Taxes:				
Property tax	$ 666,698	$ 0	$ 666,698	$ 0
Income and inheritance tax	2,385,369	0	2,385,369	0
Sales and excise tax	2,660,026	0	2,660,026	14
Gross receipts tax	127,336	0	127,336	895
Investment earnings	26,401	29,507	55,908	42,226
Other revenue	275,320	55,757	331,077	1,162,623
Transfers	77,383	(77,383)	0	0
Total general revenues	6,218,533	7,881	6,226,414	1,205,758
Change in net assets	458,005	124,995	583,000	209,749
Net assets - beginning	8,829,017	647,128	9,476,145	2,724,873
Revisions to beginning net assets	0	0	0	(58,868)
Net assets - beginning (restated)	8,829,017	647,128	9,476,145	2,666,005
Net assets - ending	$ 9,287,022	$ 772,123	$ 10,059,145	$ 2,875,754

State of Kansas

Balance Sheet - Governmental Funds

June 30, 2005

(expressed in thousands)

	General	Social and Rehabilitation	Transportation	Transportation-Capital Projects	Other Governmental	Total Governmental
ASSETS						
Cash and cash equivalents	$ 535,669	$ 119,231	$ 88,001	$ 0	$ 431,670	$ 1,174,571
Investments	0	0	541,009	0	92,317	633,326
Receivables, net	368,410	117,045	110,736	0	119,737	715,928
Due from other funds	4,790	0	0	0	12,711	17,501
Inventories	4,788	0	17,452	0	0	22,240
Advances to other funds	0	80	125,188	0	79,215	204,483
Restricted cash and cash equivalents	0	0	0	0	95,584	95,584
Total assets	$ 913,657	$ 236,356	$ 882,386	$ 0	$ 831,234	$ 2,863,633
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and other current liabilities	$ 327,402	$ 143,251	$ 73,044	$ 0	$ 153,592	$ 697,289
Due to other funds	10,391	453	0	0	75	10,919
Deferred revenue	61,555	278	35,401	0	13,089	110,323
Advances from other funds	201,576	2,535	0	0	218	204,329
Bonds payable on demand	0	0	0	755,115	0	755,115
Total liabilities	600,924	146,517	108,445	755,115	166,974	1,777,975
Fund balances:						
Reserved for debt service	0	0	0	0	76,143	76,143
Reserved for inventory	0	0	17,452	0	0	17,452
Reserved for encumbrances	15,674	19,333	799,474	0	155,113	989,594
Reserved for advances to other funds	0	80	125,188	0	79,215	204,483
Unreserved	297,059	70,426	(168,173)	(755,115)	353,789	(202,014)
Total fund balance	312,733	89,839	773,941	(755,115)	664,260	1,085,658
Total liabilities and fund balance	$ 913,657	$ 236,356	$ 882,386	$ 0	$ 831,234	$ 2,863,633

The notes to the financial statements are an integral part of this statement.

(Continued)

State of Kansas
Balance Sheet - Governmental Funds - Continued
June 30, 2005
(expressed in thousands)

	Total Governmental
Reconciliation to the Statement of Net Assets:	
Total fund balance from previous page	$ 1,085,658
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Infrastructure	9,423,053
Capital assets	1,226,882
Less Internal Service Funds Capital Assets	(93,527)
Other non-current assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	14,625
Deferred revenue (not on statement of net assets)	97,859
Accrued Interest	(27,933)
Less accrued interest in Internal Service Funds	6,963
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Long term debt (amount not in funds)	(2,143,074)
Compensated absences - long term liabilities (amt not in funds)	(100,030)
Claims and judgements	(24,854)
Due to component unit (lease revenue bonds payable)	(285,670)
Less Internal Service Fund long term debt	123,333
Internal Service Funds in governmental activities not reported in governmental funds	(16,263)
Net assets of governmental activities as reported on the Statement of Net Assets.	$ 9,287,022

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

For the Fiscal Year Ended June 30, 2005

(expressed in thousands)

	General	Social and Rehabilitation	Transportation	Transportation-Capital Projects	Other Governmental	Total Governmental
Revenues:						
Property tax	$ 635,562	$ 0	$ 0	$ 0	$ 40,168	$ 675,730
Income and inheritance tax	2,358,493	0	0	0	11,285	2,369,778
Sales and excise tax	2,246,529	2,255	375,350	0	30,729	2,654,863
Gross receipts tax	108,500	0	0	0	18,869	127,369
Charges for services	47,755	0	178,853	0	328,243	554,851
Operating grants	1	1,837,914	131,124	0	685,203	2,654,242
Capital grants	0	0	252,945	0	3,345	256,290
Investment earnings	20,719	216	0	0	5,476	26,411
Other revenues	19,248	120,870	5,483	0	137,869	283,470
Total revenues	5,436,807	1,961,255	943,755	0	1,261,187	9,603,004
Expenditures:						
Current:						
General government	930,622	0	0	0	344,286	1,274,908
Human resources	1,085,581	1,684,716	0	0	355,644	3,125,941
Education	2,948,672	0	0	0	447,632	3,396,304
Public safety	319,175	0	0	0	188,040	507,215
Agriculture and natural resources	15,293	0	0	0	76,219	91,512
Highways and other transportation	0	0	1,014,567	0	11,880	1,026,447
Health and environment	24,943	0	0	0	165,818	190,761
Economic development	0	0	0	0	3,293	3,293
Debt service:						
Principal	0	0	0	0	85,347	85,347
Interest	0	0	0	0	139,062	139,062
Total expenditures	5,324,286	1,684,716	1,014,567	0	1,817,221	9,840,790
Excess of revenues over (under) expenditures	112,521	276,539	(70,812)	0	(556,034)	(237,786)
Other financing sources (uses):						
Proceeds from sale of debt	0	0	0	200,000	57,125	257,125
Transfers, net	72,684	(248,210)	126,483	(347,000)	480,775	84,732
Other financing sources (uses)	0	0	0	0	(1,956)	(1,956)
Total other financing sources (uses)	72,684	(248,210)	126,483	(147,000)	535,944	339,901
Net change in fund balances	185,205	28,329	55,671	(147,000)	(20,090)	102,115
Fund balances, beginning of year	133,939	61,510	716,584	(608,115)	684,350	988,268
Change in reserves for inventory	(6,411)	0	1,686	0	0	(4,725)
Fund balances, end of year	$ 312,733	$ 89,839	$ 773,941	$ (755,115)	$ 664,260	$ 1,085,658

(Continued)

The notes to the financial statements are an integral part of this statement.

State of Kansas

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds - Continued For the Fiscal Year Ended June 30, 2005

(expressed in thousands)

	Total Governmental
Reconciliation to the Statement of Activities:	
Total net change in fund balance from previous page	$ 102,115
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.	(59,923)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long- term liabilities in the Statement of Net Assets:	
Revenue bond proceeds	(237,839)
Bond premiums and discounts	(353)
Loan proceeds	(10,346)
Other borrowings	(8,588)
Repayment of bond principal is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Assets.	85,346
Defeased debt is reported as an other financing use in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Assets.	1,956
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital assets	1,026,793
Depreciation expense	(53,220)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Arbitrage payable	(3)
Claims and judgements	(5,246)
Compensated Absences	(5,224)
Accrued Interest	(2,998)
Loss on asset disposal	(361,369)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	(13,096)
Changes in Net Assets of Governmental Activities as reported on the Statement of Activities	$ 458,005

The notes to the financial statements are an integral part of this statement.

State of Kansas

Statement of Net Assets - Proprietary Funds

June 30, 2005

(expressed in thousands)

	Business-Type Activities					Governmental Activities - Internal Service Funds
	Water Funds	Unemployment Insurance	Health Care Stabilization	Nonmajor funds	Totals	
ASSETS						
Current assets:						
Cash and cash equivalents	$ 45,828	$ 10,323	$ 2,510	$ 13,128	$ 71,789	$ 26,209
Investments	0	0	70,372	0	70,372	0
Receivables,net	10,561	1,974	1,445	8,368	22,348	0
Inventories	0	0	0	1,150	1,150	247
Total current assets	56,389	12,297	74,327	22,646	165,659	26,456
Noncurrent assets:						
Investments	124,113	0	123,781	0	247,894	0
Receivables, net	664,149	0	0	0	664,149	0
Restricted cash and cash equivalents	32,301	437,723	0	0	470,024	0
Restricted investments	81,388	0	0	0	81,388	0
Advances to other funds	0	0	1	4,000	4,001	29
Capital assets (net of accumulated depreciation)	0	0	5	242	247	93,527
Other noncurrent assets	16,719	0	0	0	16,719	0
Total noncurrent assets	918,670	437,723	123,787	4,242	1,484,422	93,556
Total assets	$ 975,059	$ 450,020	$ 198,114	$ 26,888	$ 1,650,081	$ 120,012
LIABILITIES						
Current liabilities:						
Accounts payable and other current liabilities	$ 6,929	$ 7,797	$ 1,622	$ 5,711	$ 22,059	$ 6,963
Due to other funds	0	0	0	4,790	4,790	1,792
Short-term compensated absences	0	0	33	6	39	1,066
Short-term portion of long-term liabilities	23,814	0	10,244	4,828	38,886	31,589
Total current liabilities	30,743	7,797	11,899	15,335	65,774	41,410
Noncurrent liabilities:						
Compensated absences	0	0	8	1	9	255
Claims and judgements	0	0	146,556	25,845	172,401	24,858
Bonds, notes and loans payable	646,947	0	0	0	646,947	65,565
Arbitrage Rebate Payable	529	0	0	0	529	0
Advances from other funds	0	0	0	0	0	4,187
Other noncurrent liabilities	(7,702)	0	0	0	(7,702)	0
Total noncurrent liabilities	639,774	0	146,564	25,846	812,184	94,865
Total liabilities	670,517	7,797	158,463	41,181	877,958	136,275
NET ASSETS						
Invested in capital assets, net of related debt	0	0	5	242	247	26,157
Restricted for:						
Other purposes	304,542	442,223	39,651	(20,182)	766,234	0
Unrestricted	0	0	(5)	5,647	5,642	(42,420)
Total net assets	304,542	442,223	39,651	(14,293)	772,123	(16,263)
Total liabilities and net assets	$ 975,059	$ 450,020	$ 198,114	$ 26,888	$ 1,650,081	$ 120,012

The notes to the financial statements are an integral part of this statement.

State of Kansas

Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds

For the Fiscal Year Ended June 30, 2005

(expressed in thousands)

	Business-Type Activities					Governmental Activities - Internal Service Funds
	Water Funds	Unemployment Insurance	Health Care Stabilization	Nonmajor Funds	Totals	
Operating revenues:						
Charges for services	$ 20,462	$ 337,679	$ 21,244	$ 211,403	$ 590,788	$ 86,252
Other revenue	3,366	25,711	3,871	22,809	55,757	(1,392)
Total operating revenues	23,828	363,390	25,115	234,212	646,545	84,860
Operating expenses:						
Salaries and wages	0	0	751	4,404	5,155	23,795
Supplies and services	0	0	5,631	29,614	35,245	36,990
Lottery prize awards	0	0	0	112,555	112,555	0
Depreciation	0	0	2	243	245	4,622
Insurance claims and expenses	0	280,618	0	492	281,110	16,586
Program administration - Water Funds	1,844	0	0	0	1,844	0
Other expenses	(75)	26	27,284	9,487	36,722	15
Total operating expenses	1,769	280,644	33,668	156,795	472,876	82,008
Operating income (loss)	22,059	82,746	(8,553)	77,417	173,669	2,852
Nonoperating revenues (expenses):						
Operating grants	0	10,342	0	0	10,342	0
Capital grants	24,080	0	0	0	24,080	0
Investment earnings	10,478	19,029	0	0	29,507	0
Interest expense	(28,730)	0	0	0	(28,730)	(3,330)
Other expenses	0	0	(6,230)	(261)	(6,491)	(5,267)
Total nonoperating revenues (expenses)	5,828	29,371	(6,230)	(261)	28,708	(8,597)
Net income (loss)	27,887	112,117	(14,783)	77,156	202,377	(5,745)
Transfers in	0	(943)	3,278	(78,976)	(76,641)	(4,577)
Transfers out	0	(703)	0	(38)	(741)	(2,774)
Net change in net assets	27,887	110,471	(11,505)	(1,858)	124,995	(13,096)
Total net assets - beginning	276,655	331,752	51,156	(12,435)	647,128	(3,167)
Total net assets - ending	$ 304,542	$ 442,223	$ 39,651	$ (14,293)	$ 772,123	$ (16,263)

The notes to the financial statements are an integral part of this statement.

State of Kansas

Statement of Cash Flows - Proprietary Funds

For the Fiscal Year Ended June 30, 2005

(expressed in thousands)

	Water Funds	Unemployment Insurance	Health Care Stabilization	Nonmajor funds	Totals	Governmental Activities - Internal Service Funds
Cash flows from operating activities:						
Cash receipts from customers	$ 19,599	$ 364,534	$ 28,710	$ 233,191	$ 646,034	$ 84,860
Cash payments to suppliers for goods and services	(1,513)	(84)	(33,787)	(38,145)	(73,529)	(37,801)
Cash payments to employees for services	0	0	(752)	(4,413)	(5,165)	(22,133)
Cash payments for lottery prizes	0	0	0	(113,151)	(113,151)	0
Claims paid	0	(280,618)	2,180	(1,108)	(279,546)	(11,339)
Other operating revenues	34,894	0	0	0	34,894	0
Other operating expenses	(109,446)	0	0	0	(109,446)	0
Net cash provided (used) by operating activities	(56,466)	83,832	(3,649)	76,374	100,091	13,587
Cash flows from noncapital financing activities:						
Operating grants receipts	0	10,342	0	0	10,342	0
Other non-operating expenses	0	0	(6,230)	(261)	(6,491)	(5,267)
Net transfers to other funds	0	(1,734)	3,278	(79,724)	(78,180)	(8,282)
Other cash inflows from noncapital financing activities	211,966	0	0	0	211,966	0
Other cash outflows from noncapital financing activities	(139,502)	0	0	0	(139,502)	0
Net cash provided (used) by noncapital financing activities	72,464	8,608	(2,952)	(79,985)	(1,865)	(13,549)
Cash flows from capital and related financing activities:						
Repayment of long-term debt	0	0	0	0	0	(1,660)
Interest payments	0	0	0	0	0	(3,380)
Proceeds from sale of fixed assets	0	0	0	10	10	0
(Gain) loss on disposal of fixed assests	0	0	0	0	0	0
Payments for purchase of fixed assets	0	0	0	(24)	(24)	(2,804)
Net cash provided (used) by capital and related financing activities	0	0	0	(14)	(14)	(7,844)
Cash flows from investing activities:						
Proceeds from sale and maturities of investment securities	149,352	0	11,684	0	161,036	0
Purchase of investments	(152,840)	0	(8,731)	0	(161,571)	0
Interest and dividends	10,222	19,029	166	0	29,417	0
Unrealized (gain) loss on investments	0	0	3,297	0	3,297	0
Net cash provided (used) by investing activities	6,734	19,029	6,416	0	32,179	0
Net increase (decrease) in cash and cash equivalents	22,733	111,469	(185)	(3,625)	130,392	(7,806)
Cash and cash equivalents, beginning of year	55,396	336,577	2,695	16,753	411,421	34,015
Cash and cash equivalents, end of year	$ 78,129	$ 448,046	$ 2,510	$ 13,128	$ 541,813	$ 26,209
Reconciliation of operating income (loss) to net cash provided by operations:						
Operating income (loss)	$ 22,060	$ 82,745	$ (8,553)	$ 77,417	$ 173,669	$ 2,852
Adjustment to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	0	0	2	243	245	4,622
Changes in assets and liabilities:						
Receivables	(77,482)	1,145	3,595	(1,021)	(73,763)	0
Inventories	0	0	0	717	717	260
Accounts payable	(1,044)	(58)	(872)	239	(1,735)	(1,056)
Payroll liabilities	0	0	(1)	(9)	(10)	1,662
Claims and judgements	0	0	2,180	(616)	1,564	5,247
Lottery prize liability	0	0	0	(596)	(596)	0
Total adjustments	(78,526)	1,087	4,904	(1,043)	(73,578)	10,735
Net cash provided (used) by operating activities	$ (56,466)	$ 83,832	$ (3,649)	$ 76,374	$ 100,091	$ 13,587

The notes to the financial statements are an integral part of this statement.

State of Kansas

Statement of Fiduciary Net Assets

June 30, 2005

(expressed in thousands)

	Pension Trust	Investment Trust	College Savings Program	Agency
ASSETS				
Cash and cash equivalents	$ 377	$ 516,725	$ 367	$ 360,480
Investments	13,770,818	0	1,047,182	1,145,030
Receivables, net	1,116,168	1,280	1,524	20,920
Inventories	1,240	0	0	0
Capital assets	2,538	0	0	0
Total assets	$ 14,891,141	$ 518,005	$ 1,049,073	$ 1,526,430
LIABILITIES				
Accounts payable and other liabilities	$ 3,566,776	$ 0	$ 355	$ 1,526,430
Total liabilities	3,566,776	0	355	$ 1,526,430
NET ASSETS				
Net assets held in trust	$ 11,324,365	$ 518,005	$ 1,048,718	

The notes to the financial statements are an integral part of this statement.

State of Kansas

Statement of Changes in Fiduciary Net Assets

For the Fiscal Year Ended June 30, 2005

(expressed in thousands)

	Pension Trust	Investment Trust	College Savings Program Trust
ADDITIONS			
Contributions:			
Employer contributions	$ 293,952	$ 0	$ 0
Employee contributions	233,226	0	0
College savings contributions	0	0	296,517
Total contributions	527,178	0	296,517
Deposits:			
Net investment income	1,223,096	8,890	65,053
MIP deposits	0	2,586,520	
Other deposits	178	0	1,173
Total additions	1,750,452	2,595,410	362,743
DEDUCTIONS			
Benefits and refunds:			
Monthly benefits and refunds	737,563	0	0
Refunds of contributions	46,774	0	0
Death benefits	7,850	0	0
Distributions	0	2,549,836	74,613
Total benefits and refunds	792,187	2,549,836	74,613
Administrative expenses	61,043	0	887
Total deductions	853,230	2,549,836	75,500
Net increase (decrease)	897,222	45,574	287,243
Net assets - beginning of year	10,427,143	472,431	761,475
Net assets - end of year	$ 11,324,365	$ 518,005	$ 1,048,718

The notes to the financial statements are an integral part of this statement.

I. Summary of Significant Accounting Policies

The accompanying financial statements of the State of Kansas (the "State") have been prepared in conformance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the standard setting body for governmental accounting and financial reporting principles.

A. Financial Reporting Entity

The accompanying financial statements present the financial position of the State and the various funds and fund types, the results of operations of the State and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2005 and for the year then ended. The financial statements include the various agencies, boards, commissions, public trusts and authorities and any other organizational units governed by the Kansas State Legislature and/or Constitutional Officers of the State of Kansas.

The State has considered all potential component units for which it is financially accountable, organizations that raise and hold economic resources for the State, and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete.

As required by generally accepted accounting principles, these financial statements present the State of Kansas (the primary government) and its component units.

The accompanying financial statements present the activities of State government (the primary government), which is comprised of three branches: the Executive Branch, with the Governor as chief executive; the Legislative Branch, consisting of a Senate of 40 members and a House of Representatives of 125 members; and the Judicial Branch, which includes the Supreme Court, the Appeals Court, and the District Trial Courts.

Discrete Component Units

Discrete component units are entities that are legally separate from the State, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The component units are reported in a separate column to emphasize that they are legally separate from the primary government and are governed by separate boards.

Following is a table identifying each discretely presented component unit followed by a brief description of each component unit. Complete financial statements for each of the individual component units may be obtained from their respective administrative offices at the above noted addresses.

I. Summary of Significant Accounting Policies

Component Unit	Description: Criteria for Inclusion	Reporting Method	For Separate Financial Statements
Kansas Development Finance Authority (KDFA)	The State appoints a voting majority of the board of KDFA and has the power to impose its will on KDFA.	Reported as a discrete component unit, because the board is not the same and services are provided to other entities.	Kansas Development Finance Authority 555 South Kansas Avenue, Suite 202 Topeka, Kansas 66603
Kansas Technology Enterprise Corporation (KTEC)	The State appoints a voting majority of the board of KTEC and has the power to impose its will on KTEC. There is a potential for KTEC to impose specific financial burdens or provide specific financial benefits to the State. KTEC is fiscally dependent on the State.	Reported as a discrete component unit, because the board is not the same and services are provided to other entities.	Kansas Technology Enterprise Corporation 214 SW 6th Avenue, Suite 100 Topeka, Kansas 66603
Kansas Housing Resources Corporation (KHRC)	KHRC is a subsidiary corporation of KDFA and a legal entity separate and distinct from KDFA and the State.	Reported as a discrete component unit because the board is not the same and services are provided to other entities.	Kansas Housing Resources Corporation 611 S. Kansas Avenue, Suite 300 Topeka, Kansas 66603
State University System	The State appoints a voting majority of the Kansas Board of Regents which controls the State universities, and has the power to impose its will on the State universities through the budgeting process.	Reported as a discrete component unit because the board is not the same and services are provided to other entities.	The Kansas Board of Regents does not issue separate financial statements. For separate financial statements of a university, contact the respective university or: Kansas Board of Regents 1000 SW Jackson St., Suite 520 Topeka, KS 66612-1368

Kansas Development Finance Authority (KDFA) was established by Chapter 57, 1987 Session Laws of Kansas. Its enabling statutes are found in K.S.A. 74-8901 et seq., as amended and supplements. KDFA is a public body politic and corporate, constituting an independent instrumentality of the State of Kansas. KDFA was created to enhance the ability of the State to finance capital improvements and improve access to long-term financing for State agencies, political subdivisions, public and private organizations, and businesses.

Kansas Technology Enterprise Corporation (KTEC) is a body politic, corporate, and an instrumentality of the State of Kansas, which was created by the Legislature of the State in March 1986 (K.S.A. 74-8101). The responsibilities and duties of the existing State Office of Advanced Technology were transferred to KTEC effective January 12, 1987. KTEC's principal statutory functions and responsibilities are as follows:

- To foster innovation in existing and developing businesses, especially the creation, growth, and expansion of Kansas enterprises in a diversified range of primary sectors which develop value-added products, processes, and services.
- To invest in basic research, applied research and development, and technology transfer at Kansas educational institutions which meet competitive standards of excellence and which create innovative collaboration between Kansas educational institutions and Kansas enterprises.

I. Summary of Significant Accounting Policies

- To award applied research matching grants to Kansas educational institutions and Kansas private enterprises in order to move innovation and applied research toward commercial application.
- To engage in seed-capital financing for the development and implementation of innovations or new technologies for existing resource, technology-based, and emerging Kansas businesses.
- To provide technical referral services to such small, new, emerging, or mature businesses and encourage Kansas educational institutions to establish technical information databases and industrial liaison offices, which are easily accessible by both private and public sector Kansas organizations.

Kansas Housing Resources Corporation (KHRC) was formed pursuant to K.S.A. 74-8904(v) per the Governor's Executive Reorganization Order #30. KHRC is a subsidiary corporation of the Kansas Development Finance Authority. KHRC's mission is to enhance Kansas communities with housing opportunities. This goal is achieved through using a variety of strategies and approaches, including increasing homeownership opportunities, leveraging the construction of more affordable rental housing, promoting energy efficiency improvements for owner-occupied and rental housing, providing affordable housing through rental assistance to low-income families and senior citizens, and creating housing opportunities for previously underserved persons and communities.

State University System. The Kansas State Board of Regents, created in 1859 by adoption of the State Constitution, is responsible for control and supervision of public institutions of higher education which benefit the state. The Kansas Board of Regents is a legally separate body composed of nine members appointed by the Governor. The Board supervises all State universities while budgetary decisions are exercised at the State level. The State university system consists of the Board's administrative arm and six constituent universities. Funding for the State university system is accomplished primarily by State appropriations, tuition and fees, sales and services, federal and state grants, and private donations and grants.

In addition to the Kansas Board of Regents' administrative arm, the following universities and their respective component units make up the State university system for financial reporting purposes: University of Kansas, including the University of Kansas Medical Center; Kansas State University; Wichita State University; Emporia State University; Pittsburg State University; and Fort Hays State University. Each university issues its own complete financial statements which can be obtained from the respective university. The Kansas Board of Regents' administrative arm does not issue separate financial statements.

B. Government-wide and Fund Financial Statements

Government-wide Statements – The statement of net assets and the statement of activities report information of the primary government and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the duplication of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the State and between its discretely presented component units. Governmental activities are generally supported by taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are supported in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the State and for each function of the State's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The State classifies State spending by function of government and by category of expenditure. Function of government is a grouping of agencies, which make expenditures for similar programs and purposes. There are eight functions of government: (1) general government; (2) human resources; (3) education; (4) public safety; (5) agriculture and natural

I. Summary of Significant Accounting Policies

resources; (6) transportation; (7) health and environment; and (8) economic development. *General Government* includes State agencies with both administrative and regulatory functions. These agencies include the State's elected officials and the Department of Administration. *Human Resources* agencies provide services to individuals. *Education* agencies provide various educational services to Kansans. *Public Safety* agencies ensure the safety and security of Kansas' citizens. *Agriculture and Natural Resources* agencies protect the natural and physical resources of the State and regulate the use of those resources. *Transportation* includes only the Department of Transportation. Responsibilities of this agency include maintenance and construction of highways in Kansas. The *Health and Environment* agency optimizes the promotion and protection of the health of Kansans through efficient and effective public health programs and services and through preservation, protection, and remediation. *Economic Development* reflects certain economic development initiatives.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements – The fund financial statements provide information about State funds, including fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the State gives (or receives) value without directly receiving (or giving) equal value in exchange, include income and sales taxes, grants, entitlements, and donations. On an accrual basis, revenue from income and sales taxes is recognized in the fiscal year the underlying exchange occurred, while revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers all revenues reported in the governmental funds to be available if the revenues are due at year-end and collected within sixty days thereafter. Expenditures generally are recorded when the related liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the State funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the policy of the State to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

The financial statements of the proprietary funds, fiduciary funds, and component units are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above. In reporting the financial activities of the proprietary funds the State applies all applicable GASB pronouncements and FASB pronouncements issued prior to November 30, 1989.

I. Summary of Significant Accounting Policies

D. Fund Accounting

The financial activities of the State are recorded in individual funds, each of which is deemed to be a separate accounting entity. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The financial activities of the State that are reported in the accompanying financial statements have been classified into the following major governmental and proprietary funds. In addition, a description of the internal service, fiduciary and component units follows:

Governmental Funds:
These funds include the State's main operating fund, special revenue funds, capital projects funds, and debt service funds.

General Fund – This is the primary operating fund of the State. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Transportation Fund – This fund is the primary operating fund of the Department of Transportation. The Department of Transportation has the statutory responsibility to coordinate planning, development and operation of the various modes and systems of transportation in the State.

Transportation-Capital Projects Fund – This fund accounts for the financial resources to be used for construction of major capital facilities for the Department of Transportation.

Social and Rehabilitation Services Fund – This fund accounts for all the activities of the Department of Social and Rehabilitation Services.

Proprietary Funds:
These funds account for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing goods or services to the general public, or where sound financial management dictates that periodic determinations of results of operations are appropriate.

Water Fund– This fund accounts for the Water Pollution Control and Public Water Supply Revolving Loan funds controlled by the Department of Health and Environment.

Unemployment Insurance Fund – This fund accounts for unemployment insurance for the deposit of moneys requisitioned for the Kansas Unemployment Insurance Trust Fund held by the U.S. Treasury for payment of unemployment benefits.

Health Care Stabilization Fund – This fund accounts for moneys accumulated to pay damages for personal injury or death arising out of the rendering of or the failure to render professional services by a health care provider, self-insurer or inactive health care provider subsequent to the time that such health care provider or self-insurer qualified for coverage under the provisions of this program.

Internal Service Funds - These funds account for printing, information technology, accounting, motor pool, aircraft, building maintenance, architectural, central mail, workers' compensation, and capitol security services provided to other departments on a cost-reimbursement basis.

I. Summary of Significant Accounting Policies

Fiduciary Funds:
The State presents as Fiduciary Funds those activities that account for assets held in a trustee capacity or as an agent for individuals, private organizations, or other governmental units.

Pension Trust Fund -- This fund is used to account for the assets, liabilities, and fund equities held in trust for the Kansas Public Employees Retirement System.

Investment Trust Fund – This fund is used to account for the assets, liabilities, and fund equities held in trust for the Kansas Municipal Investment Pool.

Private Purpose Trust Fund - This fund accounts for the *Learning Quest* program that allows participants to invest in a college savings account to cover tuition, fees, and the cost of room and board, books, supplies and equipment required for the enrollment or attendance of a beneficiary at an eligible educational.

Agency Funds - These funds account for assets held by the State in a custodial capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Both government-wide and proprietary funds financial statements of the State follow FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

The effect of interfund activity has generally been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. General revenues include all taxes and internally dedicated resources.

Proprietary funds distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses are generated from providing services or products in connection with the enterprise operations of the funds.

E. Assets, Liabilities, and Net Assets or Equity

Cash and Investments

Cash balances of funds in the State Treasury are pooled and are held in a general checking account and other special purpose bank accounts. The available cash balances beyond immediate need are pooled for short-term investment purposes by the Pooled Money Investment Board (PMIB) and are reported at fair value, based on quoted market prices.

For purposes of reporting cash flows, cash equivalents are defined as short-term, highly liquid investments that are readily convertible to cash.

The investment policies of the PMIB are governed by State statutes. The primary objectives are to attain safety, liquidity, and yield. Allowable investments for State pooled moneys not held in Kansas financial institutions are as follows:

- Direct obligations of, or obligations except mortgage backed securities, that are insured as to principal and interest by the U.S. Government, or any direct agency thereof, with maturities up to four years

- Repurchase agreements with Kansas banks or with primary government securities dealers

I. Summary of Significant Accounting Policies

- Interfund loans to various State agencies as mandated by the Kansas Legislature limited to not more than the lesser of 10 percent or $80,000,000 of total investments.
- Certain Kansas agency and IMPACT Act projects and bonds
- Linked deposit loans for agricultural production not to exceed $55 million
- High grade commercial paper

Specific Fund Investments – State statutes permit investing cash balances not included in the PMIB in the following types of investments:

- U. S. Government obligations
- Mortgage backed securities
- Corporate securities
- U.S. Government agency securities
- Repurchase agreements
- Commercial paper not to exceed 270 days to maturity and rated within the two highest commercial paper ratings
- State of Kansas agency bonds, with maturities not to exceed four years

In addition to the above investments, short-term bond proceeds may be invested at the direction of KDFA through the PMIB.

Kansas Municipal Investment Pool - The Kansas Municipal Investment Pool (MIP) was created on July 1, 1992, as a voluntary, State-managed investment alternative for State and local funds. The Office of the Kansas State Treasurer (Treasurer) acts as the custodian for all moneys deposited. All Kansas governmental units, including cities, counties, school districts and other governmental entities holding public moneys are eligible to participate in the MIP. The deposits in the MIP are combined with State moneys to form the Pooled Money Investment Portfolio.

Kansas Public Employees Retirement System (KPERS) Investments - The Retirement System's investment categories, as permitted by statute, include equities, fixed income securities, cash equivalents, real estate, derivative products and alternative investments. KPERS values its investments at fair value. In fulfilling its responsibilities, the Board of Trustees contracts with investment management firms and a master global custodian.

Investment Income Allocation – State statutes require interest earned to be credited to the State General Fund unless required by law to be credited based on average daily balance to a specific fund.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to / from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to / from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Receivables are shown net of an allowance for uncollectibles.

I. Summary of Significant Accounting Policies

Inventories

Inventories are valued at cost using the first in/first out (FIFO) method. Inventories in the government-wide financial statements are accounted for using the consumption method. Inventories in the governmental funds financial statements are on the purchases method. The purchases method provides that inventory be treated as an expenditure when purchased. Consumable supplies are reported only if over $200,000 per agency.

The governmental funds statements have a current financial resources focus. As a result, modified accrual adjustments to capitalize inventory at year-end affect beginning fund balance rather than expenditures. The focus on current financial resources is better maintained by not adjusting the expenditures for the amount of inventory reclassified to the balance sheet. The government-wide statements, however, require the full accrual adjustment to expenditures to properly reflect the amount of inventory consumed during the fiscal year.

Deferred Bond Issuance Costs

Deferred bond issuance costs consist of the costs incurred related to bond issuance. These costs are capitalized and amortized over the term of the bonds using the straight-line method.

Restricted Assets

Certain resources are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by bond requirements. The Employment Security Fund was established by law as a special fund separate and apart from all public money or funds of the State. The cash is maintained in a separate bank account with the U.S. Treasury.

Capital Assets

Capital assets are reported at actual or estimated historical cost. Contributed assets are reported at estimated fair value at the time received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Construction in process is capitalized. Capitalization policies (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Policy	Depreciation Method	Estimated Useful Life
Land	$100,000	Not applicable	Not applicable
Buildings and leasehold improvements	100,000	Straight-line	40 years
Furnishings and equipment	5,000	Straight-line	8 years
Automobiles	5,000	Straight-line	5 years

The depreciation method is straight line with no salvage value. Accumulated depreciation is calculated in total by class of assets by year using the one half year convention in year of purchase. No depreciation is recorded for land and construction in progress.

Works of art and historical items are not capitalized. It is the intent of the State of Kansas that all art works and historical objects be held for the purpose of exhibition to the public to further education and research. It is also the intent to preserve and protect such items to insure their availability to future generations. If any items are sold from any collection, the proceeds from such disposition are intended to be set aside for future acquisitions for the collections.

I. Summary of Significant Accounting Policies

Infrastructure

The roadway system and bridge system are reported using the modified approach. Accordingly, depreciation is not reported for these systems, and all expenditures, except for additions and improvements are expensed.

Compensated Absences

Classified State employees accrue vacation leave based on the number of years employed up to a maximum rate of 6.5 hours per pay period, and may accumulate a maximum of 240 hours. Upon retirement or termination, employees are paid for accrued vacation leave up to their maximum accumulation. State employees earn sick leave at the rate of 3.7 hours per pay period. Employees who terminate are not paid for unused sick leave. Employees who retire are paid a portion of their unused sick leave based on years of service and hours accumulated. The State uses the vesting method to compute the sick leave liability. The compensated absences liability will be liquidated by the State's governmental and internal service funds.

Bonds and Notes Payable

Bonds and notes payable consist of notes and bonds issued to finance capital improvements for various projects. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and deferred bond issuance costs are capitalized and amortized over the term of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Deferred bond issuance costs are reported as an other asset and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as deferred bond issuance costs, during the current period. The face amount of bond debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources and uses. Bond issuance costs are reported as debt service expenditures.

Other Long-term Obligations

Other long-term obligations consist of claims and judgments, capital leases payable, and other miscellaneous long-term obligations. In the government-wide financial statements, and proprietary fund types in the fund financial statements, other long-term obligations are reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are reserved for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

F. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used in preparing the financial statements.

I. Summary of Significant Accounting Policies

G. Pending Governmental Accounting Standards Board Statements

At June 30, 2005, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the State. The State plans to implement the provisions of these statements on or before their effective dates. Management has not yet determined the impact these new statements will have on the State's financial statements:

GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries", was issued in November 2003 and establishes guidance for accounting and reporting for the impairment of capital assets and for insurance recoveries. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2005.

GASB Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans", was issued in April 2004. The objective of this statement is to establish uniform standards of financial reporting by state and local government entities for other postemployment benefit plans (OPEB plans). The term "other postemployment benefits" refers to postemployment benefits other than pension benefits and includes (a) postemployment healthcare benefits and (b) other types of postemployment benefits (i.e. life insurance) if provided separately from a pension plan. This statement provides standards for measurement, recognition, and display of the assets, liabilities, and where applicable, net assets and changes in net assets of such funds and for related disclosures. The provisions of this statement are effective for periods beginning after December 31, 2005.

GASB Statement No. 44, "Economic Condition Reporting: The Statistical Section", was issued in May 2004. This statement amends the portions of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles, guiding the preparation of the statistical section. Statement No. 44 establishes the objectives of the statistical section and the five categories of information is contains – financial trends information, revenue capacity information, debt capacity information, demographic and economic information, as well as operating information. The provisions of this statement are effective for statistical sections prepared for periods beginning after June 15, 2005.

GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", was issued in June 2004. This statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities and assets, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The provisions of this statement are effective for the State of Kansas for periods beginning after December 15, 2006.

GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" was issued in December 2004. This Statement clarifies that a legally enforceable legislation restriction is one that a party external to a government - such as citizens, public interest groups, or the judiciary - can compel a government to honor. The statement also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is revaluated. The provisions of this statement are effective for the State of Kansas for periods beginning after June 15, 2005.

GASB Statement No. 47, "Accounting for Termination Benefits", was issued in June 2005. This statement establishes accounting standards for employee termination benefits. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this statement should be implemented simultaneously with the requirements of Statement 45 above. For all other termination benefits, including those that affect an employer's obligations for defined pension benefits, this statement is effective for periods beginning after June 15, 2005.

II. Stewardship, Compliance, Accountability

A. Excess of Expenditures Over Appropriations

For the year ended June 30, 2005, expenditures did not exceed appropriations or limitations.

B. Deficit Fund Equity

The Transportation – Capital Projects Fund had a deficit fund balance in fiscal year 2005 due to reporting requirements of demand bonds with no long-term financing agreement in place.

III. Detailed Notes On All Funds

A. Deposits and Investments

A summary of deposits and investments at June 30, 2005 is as follows (expressed in thousands):

	Govt. and Business Type Activities	Pension Trust	Investment Trust	College Savings Program	Agency	Total
Pooled Cash and Investments						
Cash	$ 26,911	$	$	$	$	$ 26,911
Investments	1,137,464		516,725		728,620	2,382,809
Cash deposits with financial institutions	84,780					84,780
Cash with U.S. Treasury	442,996					442,996
Unclaimed property invested by KPERS	147,918					147,918
Imprest funds and agency bank accounts	968					968
Canteen, members' benefit, members' money in agency's custody					8,481	8,481
Kansas Public Employees Retirement (KPERS) investments		13,771,195				13,771,195
Investments owned by other funds	1,030,123			1,047,549	768,409	2,846,081
Total	$ 2,871,160	$ 13,771,195	$ 516,725	$ 1,047,549	$ 1,505,510	$ 19,712,139

A reconciliation of deposits and investments for the State to the basic financial statements at June 30, 2005, is as follows (expressed in thousands):

Disclosures Regarding Deposits and Investments:	
Total investments and deposits	17,189,339
Carrying amount of deposits	2,522,800
Total	$ 19,712,139
Statement of Net Assets	
Cash and cash equivalents	1,272,575
Investments at fair market value	951,590
Restricted Cash and Cash Equivalents	565,607
Restricted Investments	81,388
Statement of Fiduciary Net Assets	
Cash and cash equivalents	877,949
Investments at fair market value	15,963,030
Total	$ 19,712,139

III. Detailed Notes On All Funds

State Treasury and Municipal Investment Pool Balance

Cash balances in the State Treasury are held in numerous bank accounts. Available cash balances beyond immediate needs are pooled for short-term investment purposes. The cash balances and investments are combined and reported under the caption of "Cash and cash equivalents." The State Treasury and Municipal Investment Pool Balance as of fiscal year-end is comprised as follows (expressed in thousands):

State Treasury and Municipal Investment Pool Balance	
Pooled Cash and Investments	
Cash	
Kansas banks demand accounts	$26,911
Investments at fair market value	
Kansas banks certificates of deposit	108,097
U.S. government agencies securities	541,309
Commercial paper	915,207
Repurchase agreements	742,500
Loans Receivable	15,882
Public water supply loan fund	5,000
Linked deposits	54,814
Cash deposits with financial institutions	
Moneys in custodial demand accounts	2,964
Cash items	19
Cash in transit	81,797
Unclaimed property invested by KPERS	147,918
Unemployment trust fund cash with U.S. Treasury	442,996
Total State Treasury and Municipal Investment Pool Balance	3,085,414
Less: unredeemed KDOT warrants and other reconciling items	(15,156)
Total Deposits	$3,070,258

III. Detailed Notes On All Funds

At June 30, 2005, the carrying amount (book balance) of the deposits included in the State Treasury balance was $2,522.8 million. At June 30, 2005, the State Treasurer had $192.8 million in the associated bank balances. For cash deposits with financial institutions, the State requires that its depository banks pledge collateral that has a market value equal to or greater than the deposits. Effective March 15, 2004, the Kansas State Treasurer's office in its role as custodian for collateral pledged against the State of Kansas deposits, agreed to follow the changes to the pledged collateral policy that the Pooled Money Investment Board has approved. The criteria for Kansas Bank CDs is as follows:

- U.S. Treasury securities (T-Bills, T-Notes, and Treasury Strips) and Federal Agency securities (Discount Notes and Debentures) with a final maturity of five years and under will require pledging of 100 percent collateralization (for any amount over the $100,000 FDIC coverage).
- Any other type of security (including CMO's and MBS), surety bonds, or letters of credit (regardless of the final maturity) will require 105 percent collateralization.
- Any security with a final maturity longer than five years will require 105 percent collateralization.

Securities pledged as collateral for demand deposit accounts will not be subject to the new pledged collateral policy. The State's deposits with financial institutions were fully collateralized at fiscal year-end by FDIC insurance or pledged collateral (either government securities, FHLB letters of credit or surety bonds). The pledged securities and bonds are held in safekeeping for the State Treasurer at the Federal Reserve Bank of Kansas City or in approved custodial banks and are held in the name of the State.

The cash balances in the State Treasury are included in the financial statements in the category "Cash and cash equivalents." Also included in this category are amounts outside the State Treasury such as cash in agencies' imprest funds and authorized bank accounts, canteen, benefit and members' moneys in agencies' custody.

Component Unit - KDFA

KDFA has adopted a formal investment policy. The primary objectives of investment activities are, in priority order, safety, yield and liquidity. The standard of care to be used by investment officials shall be the "prudent investor" standard, and shall be applied in the context of managing an overall portfolio.

At June 30, 2005, KDFA has $4,140,492 invested in the State of Kansas Municipal Investment Pool.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, KDFA will not be able to recover the value of its deposits or investments that are in the possession of an outside party. The bank balances of KDFA's deposits at June 30, 2005 and 2004 totaled $2,577,364 and $2,854,903. Of the bank balance, $0 and $981,989 of securities held as collateral for the deposits were held by the pledging financial institution (the counterparty). The remainder is fully insured with an excess insurance bond provided by the counterparty, as well as by the standard coverage of Federal Deposit Insurance Corporation (FDIC).

Credit Risk. KDFA's policy limits investments to those allowed by State Statute, and further to those with one of the top two ratings from Standard & Poor's or Moody's Investor Services, depending on the type of investment. As of June 30, 2005 and 2004, KDFA was only invested in certificates of deposit and the Kansas Municipal Investment Pool. As of June 30, 2005, the pool was rated AAAf / S1+ by Standard & Poor's.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from the fluctuations in interest rates, KDFA's investment policy limits investment maturities as follows: The portion of the portfolio equal to 150 percent of the current year annual operating expense budget shall be continuously invested in obligations which have maturities of eighteen months or less. Monies in excess of the 150 percent may be invested in obligations greater than eighteen months, but no more than forty-eight months. At June 30, 2005, KDFA had $3,638,445 invested in the overnight pool of the Kansas Municipal Investment Pool. Another KDFA investment with the Kansas Municipal Investment Pool at June 30, 2005 was in a fixed rate pool, with a maturity date of September 21, 2005. The remainder was invested at a local financial institution in certificates of deposit with maturity dates of October 24, 2005 and March 24, 2006.

III. Detailed Notes On All Funds

KDFA's investments during the year did not vary substantially from those at year-end in amounts or level of risk.

Component Unit - KHRC

KHRC cash equivalents are defined as short-term highly liquid investments that are readily convertible to cash with an original maturity of three months or less. Restricted cash and cash equivalents include Financing Adjustment Factor (FAF) funds invested in a custodial money market trust account with a financial institution, FAF funds included in the State Housing Trust Fund, and cash held under Federal grant programs, all at fair value. Various government programs dictate how these restricted funds may be used.

As of June 30, 2005, KHRC has $4,213,151 invested in the State Housing Trust Fund and $592,702 held for Federal and fee funded programs, both of which are managed by the Kansas State Treasurer's office, and $46,673 held in a custodial trust account with a financial institution.

Investment Policy. KHRC has adopted a formal investment policy. The primary objectives, in priority order, of investment activities shall be safety, yield, and liquidity. The standard of care to be used by investment officials shall be "prudent person" standard, and shall be applied in the context of managing an overall portfolio.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of failure of the counterparty, KHRC will not be able to recover the value of its deposits or investments that are in the possession of an outside party. KHRC does not have a deposit policy for custodial credit risk. However, none of KHRC's deposits are subject to custodial credit risk as deposits are either held in a custodial trust account or with the Kansas State Treasurer's office.

Component Unit - KTEC

The following table summarizes the KTEC's cash and investments at June 30, 2005 (expressed in thousands):

Bank deposits and repurchase agreements	$	1,020
Certificates of deposit		1,675
Cash held by the State		83
Investments		7,582
Total Deposits	$	10,360

Cash in the amount of $94,537 held by the State, which is not categorized below, represents grant funds received but not yet expended at June 30, 2005.

Custodial credit risk is the risk that in the event of a bank failure, KTEC's deposits may not be returned to them. KTEC does not have a deposit policy for custodial risk. Uncollateralized deposits as shown below were exposed to custodial risk at June 30, 2005 (expressed in thousands):

III. Detailed Notes On All Funds

Deposits covered by federal depository insurance or collateral held by KTEC or its agent in KTEC's name	$	586
Deposits covered by collateral held by pledging financial institution's trust department or by its agent in KTEC's name		2,267
Uncollateralized deposits		1
Total Deposits (Bank Balance)	$	2,854

Investments in Limited Partners consisted of the following at June 30, 2005 (expressed in thousands):

Investments in limited partnerships		
Technology Partners, LP	$	331
Investments in economic development LLCs		
Kaw Holdings, LLC		305
Wichita Technology Ventures, LLC		931
Manhattan Holdings, LLC		619
Prairie Investments for Technology Advancement, LLC		281
Quest Ventures, LLC		187
Milestone Ventures, LLC		130
Precede Fund, LLC		193
Venture capital investments		
Bi-State Investment Group, LLC		50
Neon Royalty, LLC		38
CritiTech, Inc.		167
Quvis, Inc.		155
Relight America, Inc.		131
Environmental compliance Consulting, Inc.		30
Redemption Plus Inc.		91
Aero Comm, Inc.		205
Nanoscale Materials, Inc.		250
Control Vision Corporation		200
Living Naturally		99
Magic Lantern, LLC		55
NutriJoy, Inc.		338
Hiper Technology		150
Vasognix Parmaceuticals, Inc.		200
LaGarde, Inc.		100
iModules Software, Inc.		165
Kozoru, Inc		500

III. Detailed Notes On All Funds

CyDex, Inc.	378
Nexgenesis, LLC	100
Pixius Communications, LLC	100
PowerSmart, LLC	125
Softvu, LLC	125
Tech Guys, Inc.	250
Winglet Technology, LLC	50
Chemidex	100
Griffin Technology	100
IRR - Residential	200
NUVIO Corporation	150
Total	$ 7,579

KTEC Holdings hold an equity position in Kaw Holdings, LLC, Wichita Technology Ventures, LLC, Manhattan Holdings, LLC, Prairie Investments for Technology Advancement, LLC, Quest Ventures, LLC, Capital for Manufacturers, LLC, Milestore Ventures, LLC, and Precede Fund, LLC. These entities were co-organized by KTEC and others to make equity-related investments in preseed and other early stage financings. KTEC Holdings is in no way obligated to provide future funding to any of the joint ventures. Separate financial statements are available from each of the joint ventures upon request of the joint ventures' management.

B. Investments

Primary Government

Investments in the State Treasury Balance and Municipal Investment Pool at June 30, 2005, are as follows:

U.S. Government agency securities	$ 628,837
Mortgage backed securities	592
Repurchase agreements	197,104
U.S. Government obligations	924,964
Municipal securities	1,350
Kansas banks	2,595
State of Kansas Municipal Investment Pool	198
Money Market Investments	19,833
Guaranteed investment contracts	269,973
Corporate Securities	59,409
Security deposits held by Kansas Insurance Department	228,130
College Savings Program	1,047,549
Less component units and other reconciling items	(534,453)
Total investments	$ 2,846,081

III. Detailed Notes On All Funds

Investments are managed by the Pooled Money Investment Board (PMIB) which maintains a published Investment Policy.

Interest Rate Risk – The PMIB minimizes the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by: (a) structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity; and (b) investing operating funds primarily in shorter-term securities.

Credit Risk – The PMIB minimizes credit risk, the risk of loss due to the failure of the security issuer or backer, by: (a) limiting investments to the safest types of securities; (b) pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisers with which the PMIB will do business; and (c) diversifying the investment portfolio so that potential losses on individual securities will be minimized.

Concentration of Credit Risk – The PMIB minimizes concentration of credit risk by requiring that commercial paper shall never exceed 50% of the total PMIB investment portfolio, and that no more than 5% of that portfolio shall be invested in the commercial paper of any single business entity.

III. Detailed Notes On All Funds

Investments Owned by Other Funds but maintained by KDFA

Adjutant General – Agency #034
INVESTMENTS AND DEBT SERVICE RESERVE FUNDS

Specific Fund Investments – Cash balances not held in the State Treasury may be invested as permitted by bond documents and bond covenants. Allowable investments include:

- U.S. Government obligations
- Obligations of government-sponsored agencies
- Federal funds, unsecured certificates of deposit, time deposits and banker's acceptances
- Deposits – fully insured by FDIC
- Certain State or municipal debt obligations
- Certain pre-refunded municipal obligations
- Commercial paper
- Investments in money market funds
- Repurchase agreements
- Stripped securities
- Investments in the Municipal Investment Pool Fund
- Investment agreements
- Guaranteed investment contracts

As of June 30, 2005, the agency has the following investments:

Investment Maturities

Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Repurchase Agreements	$0				
Guaranteed Investment Contracts	$7,160,000	N/A	$7,160,000	N/A	N/A
TOTAL	$7,160,000	N/A	$7,160,000	N/A	N/A

Interest Rate Risk – Due to the tax exempt status of the bonds it is generally the practice of Fund management to match reserve fund interest rates to the arbitrage yield on the bonds and the term of the investments to the maturity of the bonds. For invested loan funds, the Fund generally invests to maximize the interest rate and set a term of investment based on estimated expenditures which is generally 3-5 years.

Credit Risk – The Fund holds investments that may have credit risk since the underlying securities may include securities other than those that take the form of U.S. Treasuries or obligations explicitly guaranteed by the U.S. government. The investments are unrated. Certain investments have an underlying collateral agreement.

Concentration of Credit Risk – The Fund places no limit on the amount that may be invested with any one provider. The table below identifies the percent of total investments held by each provider as of June 30, 2005.

Investment Provider	Fair Value	Percent of Total
IXIS Funding Corp	$7,160,000	100.00%
TOTAL	$7,160,000	100.00%

III. Detailed Notes On All Funds

Department of Administration – Agency #173
INVESTMENTS AND DEBT SERVICE RESERVE FUNDS

Specific Fund Investments – Cash balances not held in the State Treasury may be invested as permitted by bond documents and bond covenants. Allowable investments include:

- U.S. Government obligations
- Obligations of government-sponsored agencies
- Federal funds, unsecured certificates of deposit, time deposits and banker's acceptances
- Deposits – fully insured by FDIC
- Certain State or municipal debt obligations
- Certain pre-refunded municipal obligations
- Commercial paper
- Investments in money market funds
- Repurchase agreements
- Stripped securities
- Investments in the Municipal Investment Pool Fund
- Investment agreements
- Guaranteed investment contracts

As of June 30, 2005, the agency had the following investments:

Investment Maturities

Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Repurchase Agreements	$0.00				
Guaranteed Investment Contracts	$43,599,143		$43,599,143		
TOTAL	$43,599,143	N/A	$43,599,143	N/A	N/A

Interest Rate Risk – Due to the tax exempt status of the bonds it is generally the practice of Fund management to match reserve fund interest rates to the arbitrage yield on the bonds and the term of the investments to the maturity of the bonds. For invested loan funds, the Fund generally invests to maximize the interest rate and set a term of investment based on estimated expenditures which is generally 3-5 years.

Credit Risk – The Fund holds investments that may have credit risk since the underlying securities may include securities other than those that take the form of U.S. Treasuries or obligations explicitly guaranteed by the U.S. government. The investments are unrated. Certain investments have an underlying collateral agreement.

Concentration of Credit Risk – The Fund places no limit on the amount that may be invested with any one provider. The table below identifies the percent of total investments held by each provider as of June 30, 2005.

Investment Provider	Fair Value	Percent of Total
MBIA	$26,408,514	60.57%
IXIS Funding Corp	$17,190,628	39.43%
TOTAL	$43,599,143	100.00%

III. Detailed Notes On All Funds

Fort Hays State University – Agency #246
INVESTMENTS AND DEBT SERVICE RESERVE FUNDS

Specific Fund Investments – Cash balances not held in the State Treasury may be invested as permitted by bond documents and bond covenants. Allowable investments include:

- U.S. Government obligations
- Obligations of government-sponsored agencies
- Federal funds, unsecured certificates of deposit, time deposits and banker's acceptances
- Deposits – fully insured by FDIC
- Certain State or municipal debt obligations
- Certain pre-refunded municipal obligations
- Commercial paper
- Investments in money market funds
- Repurchase agreements
- Stripped securities
- Investments in the Municipal Investment Pool Fund
- Investment agreements
- Guaranteed investment contracts

As of June 30, 2005, the agency had the following investments:

Investment Maturities

Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Repurchase Agreements	$0.00				
Guaranteed Investment Contracts	$468,288		$115,000		$353,288
TOTAL	$468,288	N/A	$115,000	N/A	$353,288

The investments shown above include debt service reserve funds of $468,288.

Interest Rate Risk – Due to the tax exempt status of the bonds it is generally the practice of Fund management to match reserve fund interest rates to the arbitrage yield on the bonds and the term of the investments to the maturity of the bonds. For invested loan funds, the Fund generally invests to maximize the interest rate and set a term of investment based on estimated expenditures which is generally 3-5 years.

Credit Risk – The Fund holds investments that may have credit risk since the underlying securities may include securities other than those that take the form of U.S. Treasuries or obligations explicitly guaranteed by the U.S. government. The investments are unrated. Certain investments have an underlying collateral agreement.

Concentration of Credit Risk – The Fund places no limit on the amount that may be invested with any one provider. The table below identifies the percent of total investments held by each provider as of June 30, 2005.

Investment Provider	Fair Value	Percent of Total
IXIS Funding Corp	$468,288	100.00%
TOTAL	$468,288	100.00%

III. Detailed Notes On All Funds

Kansas Department of Health & Environment – Public Water Supply – Agency #264
INVESTMENTS AND DEBT SERVICE RESERVE FUNDS

The Fund's investment policies are governed by Article IX of the Master Bond Resolution. Allowable investments for the Fund cash balances held in the State Treasury and invested through the State Pooled Money Investment Board are as follows:

- Direct obligations of, or obligations that are insured as to principal and interest by, the U.S. Government or any direct agency thereof, with maturities up to four years
- Repurchase agreements with Kansas banks or with primary government securities dealers
- Limited interest bearing loans to various State agencies as specifically provided by law
- Certain Kansas agency and IMPACT Act projects and bonds
- High grade commercial paper

Specific Fund Investments – Cash balances not held in the State Treasury may be invested as permitted by bond documents and bond covenants. Allowable investments include:

- U.S. Government obligations
- Obligations of government-sponsored agencies
- Federal funds, unsecured certificates of deposit, time deposits and banker's acceptances
- Deposits – fully insured by FDIC
- Commercial paper
- Investments in money market funds
- Repurchase agreements
- Stripped securities
- Investments in the Municipal Investment Pool Fund
- Investment agreements
- Guaranteed investment contracts

As of June 30, 2005, the program's investment and debt service reserve fund balances were as follows:

Investment Maturities

Investment Type	Cost	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Repurchase Agreements	$129,060,954	$0	$75,478,263	$0	$53,582,691

The investments shown above include debt service reserve funds of $42,140,091 and investments of $86,920,863 totaling $129,060,954.

Interest Rate Risk – Due to the tax exempt status of the bonds it is generally the practice of Fund management to match reserve fund interest rates to the arbitrage yield on the bonds and the term of the investments to the maturity of the bonds. For invested loan funds, the Fund generally invests to maximize the interest rate and set a term of investment based on estimated expenditures which is generally 3-5 years.

Credit Risk – The Fund holds investments that may have credit risk since the underlying securities may include securities other than those that take the form of U.S. Treasuries or obligations explicitly guaranteed by the U.S. government. The investments are unrated. Certain investments have an underlying collateral agreement.

Concentration of Credit Risk – The Fund places no limit on the amount that may be invested with any one provider. The table below identifies the percent of total investments held by each provider as of June 30, 2005.

III. Detailed Notes On All Funds

Investment Provider	Fair Value	Percent of Total
Citigroup	$ 9,827,552	7.62%
AIG	$ 13,375,036	10.36%
Societe Generale	$ 5,895,025	4.57%
Westdeutsche	$ 11,354,800	8.80%
MBIA	$ 13,130,278	10.17%
Bayerische	$ 75,478,263	58.48%
TOTAL	$129,060,954	100.00%

Kansas Department of Health & Environment – Water Pollution Control – Agency #264
INVESTMENTS AND DEBT SERVICE RESERVE FUNDS

Specific Fund Investments – Cash balances not held in the State Treasury may be invested as permitted by bond documents and bond covenants. Allowable investments include:

- U.S. Government obligations
- Obligations of government-sponsored agencies
- Federal funds, unsecured certificates of deposit, time deposits and banker's acceptances
- Deposits – fully insured by FDIC
- Commercial paper
- Investments in money market funds
- Repurchase agreements
- Stripped securities
- Investments in the Municipal Investment Pool Fund
- Investment agreements
- Guaranteed investment contracts

As of June 30, 2005, the Fund had the following investments:

Investment Maturities

Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Repurchase Agreements	$27,748,859				$27,748,859
Guaranteed Investment Contracts	$48,690,670	$37,191,932		$8,198,379	$ 3,300,359
TOTAL	$76,439,529	$37,191,932	N/A	$8,198,379	$31,049,218

The investments shown above include debt service reserve funds of $39,247,596 and investments of $37,191,933 totaling $76,439,529.

Interest Rate Risk – Due to the tax exempt status of the bonds it is generally the practice of Fund management to match reserve fund interest rates to the arbitrage yield on the bonds and the term of the investments to the maturity of the bonds. For invested loan funds, the Fund generally invests to maximize the interest rate and set a term of investment based on estimated expenditures which is generally 3-5 years.

Credit Risk – The Fund holds investments that may have credit risk since the underlying securities may include securities other than those that take the form of U.S. Treasuries or obligations explicitly guaranteed by the U.S. government. The investments are unrated. Certain investments have an underlying collateral agreement.

III. Detailed Notes On All Funds

Concentration of Credit Risk – The Fund places no limit on the amount that may be invested with any one provider. The table below identifies the percent of total investments held by each provider as of June 30, 2005.

Investment Provider	Fair Value	Percent of Total
AMBAC	$ 7,644,100	10.00%
AIG	$45,684,742	59.77%
MBIA	$ 3,996,632	5.23%
Citigroup	$ 7,730,018	10.11%
Trinity Plus Funding	$11,384,037	14.89%
TOTAL	$76,439,529	100.00%

Department of Commerce – Agency #300
INVESTMENTS AND DEBT SERVICE RESERVE FUNDS

Specific Fund Investments – Cash balances not held in the State Treasury may be invested as permitted by bond documents and bond covenants. Allowable investments include:

- U.S. Government obligations
- Obligations of government-sponsored agencies
- Federal funds, unsecured certificates of deposit, time deposits and banker's acceptances
- Deposits – fully insured by FDIC
- Certain State or municipal debt obligations
- Certain pre-refunded municipal obligations
- Commercial paper
- Investments in money market funds
- Repurchase agreements
- Stripped securities
- Investments in the Municipal Investment Pool Fund
- Investment agreements
- Guaranteed investment contracts

As of June 30, 2005, the agency had the following investments:

Investment Maturities

Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Repurchase Agreements	$5,455,500	$889,000	$4,566,500		
Guaranteed Investment Contracts	$7,018,183	$3,779,183	$3,239,000		
TOTAL	$12,473,683	$4,668,183	$7,805,500	N/A	N/A

The investments shown above include debt service reserve funds of $8,694,500 and other investments of $3,779,183 totaling $12,473,683.

Interest Rate Risk – Due to the tax exempt status of the bonds it is generally the practice of Fund management to match reserve fund interest rates to the arbitrage yield on the bonds and the term of the investments to the maturity of the bonds. For invested loan funds, the Fund generally invests to maximize the interest rate and set a term of investment based on estimated expenditures which is generally 3-5 years.

Credit Risk – The Fund holds investments that may have credit risk since the underlying securities may include

III. Detailed Notes On All Funds

securities other than those that take the form of U.S. Treasuries or obligations explicitly guaranteed by the U.S. government. The investments are unrated. Certain investments have an underlying collateral agreement.

Concentration of Credit Risk – The Fund places no limit on the amount that may be invested with any one provider. The table below identifies the percent of total investments held by each provider as of June 30, 2005.

Investment Provider	Fair Value	Percent of Total
Trinity Plus	$3,779,183	30.30%
AIG	$3,447,000	27.63%
Bayerische	$3,239,000	25.97%
Merrill Lynch	$1,119,500	8.97%
JP Morgan Chase	$889,000	7.13%
TOTAL	$12,473,683	100.00%

Kansas State University – Agency #367
INVESTMENTS AND DEBT SERVICE RESERVE FUNDS

Specific Fund Investments – Cash balances not held in the State Treasury may be invested as permitted by bond documents and bond covenants. Allowable investments include:

- U.S. Government obligations
- Obligations of government-sponsored agencies
- Federal funds, unsecured certificates of deposit, time deposits and banker's acceptances
- Deposits – fully insured by FDIC
- Certain State or municipal debt obligations
- Certain pre-refunded municipal obligations
- Commercial paper
- Investments in money market funds
- Repurchase agreements
- Stripped securities
- Investments in the Municipal Investment Pool Fund
- Investment agreements
- Guaranteed investment contracts

As of June 30, 2005, the agency had the following investments:

Investment Maturities

Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Repurchase Agreements	$932,000				$932,000
Guaranteed Investment Contracts	$62,275,199		$58,777,864	$723,000	$2,774,335
TOTAL	$63,207,199	N/A	$58,777,864	$723,000	$3,706,335

The investments shown above include debt service reserve funds of $4,429,335 and other investments of $58,777,864 totaling $63,207,199.

Interest Rate Risk – Due to the tax exempt status of the bonds it is generally the practice of Fund management to match reserve fund interest rates to the arbitrage yield on the bonds and the term of the investments to the maturity of the bonds. For invested loan funds, the Fund generally invests to maximize the interest rate and set

III. Detailed Notes On All Funds

a term of investment based on estimated expenditures which is generally 3-5 years.

Credit Risk – The Fund holds investments that may have credit risk since the underlying securities may include securities other than those that take the form of U.S. Treasuries or obligations explicitly guaranteed by the U.S. government. The investments are unrated. Certain investments have an underlying collateral agreement.

Concentration of Credit Risk – The Fund places no limit on the amount that may be invested with any one provider. The table below identifies the percent of total investments held by each provider as of June 30, 2005.

Investment Provider	Fair Value	Percent of Total
AIG	$38,021,394	60.16%
MBIA	$23,530,805	37.23%
JP Morgan Chase	$932,000	1.47%
Bayerische	$723,000	1.14%
TOTAL	$63,207,199	100.00%

State Fair Board – Agency #373
INVESTMENTS AND DEBT SERVICE RESERVE FUNDS

Specific Fund Investments – Cash balances not held in the State Treasury may be invested as permitted by bond documents and bond covenants. Allowable investments include:

- U.S. Government obligations
- Obligations of government-sponsored agencies
- Federal funds, unsecured certificates of deposit, time deposits and banker's acceptances
- Deposits – fully insured by FDIC
- Certain State or municipal debt obligations
- Certain pre-refunded municipal obligations
- Commercial paper
- Investments in money market funds
- Repurchase agreements
- Stripped securities
- Investments in the Municipal Investment Pool Fund
- Investment agreements
- Guaranteed investment contracts

As of June 30, 2005, the agency had the following investments:

Investment Maturities

Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Repurchase Agreements	$0.00				
Guaranteed Investment Contracts	$3,690,635		$3,690,635		
TOTAL	$3,690,635	N/A	$3,690,635	N/A	N/A

The investments shown above include investments of $3,690,635.

Interest Rate Risk – Due to the tax exempt status of the bonds it is generally the practice of Fund management to match reserve fund interest rates to the arbitrage yield on the bonds and the term of the investments to the

III. Detailed Notes On All Funds

maturity of the bonds. For invested loan funds, the Fund generally invests to maximize the interest rate and set a term of investment based on estimated expenditures which is generally 3-5 years.

Credit Risk – The Fund holds investments that may have credit risk since the underlying securities may include securities other than those that take the form of U.S. Treasuries or obligations explicitly guaranteed by the U.S. government. The investments are unrated. Certain investments have an underlying collateral agreement.

Concentration of Credit Risk – The Fund places no limit on the amount that may be invested with any one provider. The table below identifies the percent of total investments held by each provider as of June 30, 2005.

Investment Provider	Fair Value	Percent of Total
IXIS Funding Corp	$3,690,635	100.00%
TOTAL	$3,690,635	100.00%

Emporia State University – Agency #379

INVESTMENTS AND DEBT SERVICE RESERVE FUNDS

Specific Fund Investments – Cash balances not held in the State Treasury may be invested as permitted by bond documents and bond covenants. Allowable investments include:

- U.S. Government obligations
- Obligations of government-sponsored agencies
- Federal funds, unsecured certificates of deposit, time deposits and banker's acceptances
- Deposits – fully insured by FDIC
- Certain State or municipal debt obligations
- Certain pre-refunded municipal obligations
- Commercial paper
- Investments in money market funds
- Repurchase agreements
- Stripped securities
- Investments in the Municipal Investment Pool Fund
- Investment agreements
- Guaranteed investment contracts

As of June 30, 2005, the agency had the following investments:

Investment Maturities

Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Repurchase Agreements	$0				
Guaranteed Investment Contracts	$385,725		$158,500		$227,225
TOTAL	$385,725	N/A	$158,500	N/A	$227,225

The investments shown above include debt service reserve funds of $385,725.

Interest Rate Risk – Due to the tax exempt status of the bonds it is generally the practice of Fund management to match reserve fund interest rates to the arbitrage yield on the bonds and the term of the investments to the maturity of the bonds. For invested loan funds, the Fund generally invests to maximize the interest rate and set

III. Detailed Notes On All Funds

a term of investment based on estimated expenditures which is generally 3-5 years.

Credit Risk – The Fund holds investments that may have credit risk since the underlying securities may include securities other than those that take the form of U.S. Treasuries or obligations explicitly guaranteed by the U.S. government. The investments are unrated. Certain investments have an underlying collateral agreement.

Concentration of Credit Risk – The Fund places no limit on the amount that may be invested with any one provider. The table below identifies the percent of total investments held by each provider as of June 30, 2005.

Investment Provider	Fair Value	Percent of Total
Trinity Plus	$227,225	58.91%
Bayerische	$158,500	41.09%
TOTAL	$385,725	100.00%

Pittsburgh State University – Agency #385
INVESTMENTS AND DEBT SERVICE RESERVE FUNDS

Specific Fund Investments – Cash balances not held in the State Treasury may be invested as permitted by bond documents and bond covenants. Allowable investments include:

- U.S. Government obligations
- Obligations of government-sponsored agencies
- Federal funds, unsecured certificates of deposit, time deposits and banker's acceptances
- Deposits – fully insured by FDIC
- Certain State or municipal debt obligations
- Certain pre-refunded municipal obligations
- Commercial paper
- Investments in money market funds
- Repurchase agreements
- Stripped securities
- Investments in the Municipal Investment Pool Fund
- Investment agreements
- Guaranteed investment contracts

As of June 30, 2005, the agency had the following investments:

Investment Maturities

Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Repurchase Agreements	$0				
Guaranteed Investment Contracts	$1,019,468				$1,019,468
TOTAL	$1,019,468	N/A	N/A	N/A	$1,019,468

The investments shown above include debt service reserve funds of $1,019,468.

Interest Rate Risk – Due to the tax exempt status of the bonds it is generally the practice of Fund management to match reserve fund interest rates to the arbitrage yield on the bonds and the term of the investments to the maturity of the bonds. For invested loan funds, the Fund generally invests to maximize the interest rate and set

III. Detailed Notes On All Funds

a term of investment based on estimated expenditures which is generally 3-5 years.

Credit Risk – The Fund holds investments that may have credit risk since the underlying securities may include securities other than those that take the form of U.S. Treasuries or obligations explicitly guaranteed by the U.S. government. The investments are unrated. Certain investments have an underlying collateral agreement.

Concentration of Credit Risk – The Fund places no limit on the amount that may be invested with any one provider. The table below identifies the percent of total investments held by each provider as of June 30, 2005.

Investment Provider	Fair Value	Percent of Total
AIG	$813,800	79.83%
Trinity Plus	$205,667	20.17%
TOTAL	$1,019,468	100.00%

Department of Corrections – Agency #521
INVESTMENTS AND DEBT SERVICE RESERVE FUNDS

Specific Fund Investments – Cash balances not held in the State Treasury may be invested as permitted by bond documents and bond covenants. Allowable investments include:

- U.S. Government obligations
- Obligations of government-sponsored agencies
- Federal funds, unsecured certificates of deposit, time deposits and banker's acceptances
- Deposits – fully insured by FDIC
- Certain State or municipal debt obligations
- Certain pre-refunded municipal obligations
- Commercial paper
- Investments in money market funds
- Repurchase agreements
- Stripped securities
- Investments in the Municipal Investment Pool Fund
- Investment agreements
- Guaranteed investment contracts

As of June 30, 2005, the agency had the following investments:

Investment Maturities

Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Repurchase Agreements	$1,417,583				$1,417,583
Guaranteed Investment Contracts	$1,135,000			$1,135,000	
TOTAL	$2,552,583	N/A	N/A	$1,135,000	$1,417,583

The investments shown above include debt service reserve funds of $2,552,583.

Interest Rate Risk – Due to the tax exempt status of the bonds it is generally the practice of Fund management to match reserve fund interest rates to the arbitrage yield on the bonds and the term of the investments to the maturity of the bonds. For invested loan funds, the Fund generally invests to maximize the interest rate and set a term of investment based on estimated expenditures which is generally 3-5 years.

III. Detailed Notes On All Funds

Credit Risk – The Fund holds investments that may have credit risk since the underlying securities may include securities other than those that take the form of U.S. Treasuries or obligations explicitly guaranteed by the U.S. government. The investments are unrated. Certain investments have an underlying collateral agreement.

Concentration of Credit Risk – The Fund places no limit on the amount that may be invested with any one provider. The table below identifies the percent of total investments held by each provider as of June 30, 2005.

Investment Provider	Fair Value	Percent of Total
AIG	$2,552,583	100.00%
TOTAL	$2,552,583	100.00%

Kansas Department of Social & Rehabilitation Services – Agency #629
INVESTMENTS AND DEBT SERVICE RESERVE FUNDS

Specific Fund Investments – Cash balances not held in the State Treasury may be invested as permitted by bond documents and bond covenants. Allowable investments include:

- U.S. Government obligations
- Obligations of government-sponsored agencies
- Federal funds, unsecured certificates of deposit, time deposits and banker's acceptances
- Deposits – fully insured by FDIC
- Certain State or municipal debt obligations
- Certain pre-refunded municipal obligations
- Commercial paper
- Investments in money market funds
- Repurchase agreements
- Stripped securities
- Investments in the Municipal Investment Pool Fund
- Investment agreements
- Guaranteed investment contracts

As of June 30, 2005, the agency had the following investments:

Investment Maturities

Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Repurchase Agreements	$0				
Guaranteed Investment Contracts	$22,936,954	$5,586,954	$17,350,000		
TOTAL	$22,936,954	$5,586,954	$17,350,000	N/A	N/A

The investments shown above include investments of $22,936,954.

Interest Rate Risk – Due to the tax exempt status of the bonds it is generally the practice of Fund management to match reserve fund interest rates to the arbitrage yield on the bonds and the term of the investments to the maturity of the bonds. For invested loan funds, the Fund generally invests to maximize the interest rate and set a term of investment based on estimated expenditures which is generally 3-5 years.

Credit Risk – The Fund holds investments that may have credit risk since the underlying securities may include securities other than those that take the form of U.S. Treasuries or obligations explicitly guaranteed by the U.S. government. The investments are unrated. Certain investments have an underlying collateral agreement.

III. Detailed Notes On All Funds

Concentration of Credit Risk – The Fund places no limit on the amount that may be invested with any one provider. The table below identifies the percent of total investments held by each provider as of June 30, 2005.

Investment Provider	Fair Value	Percent of Total
IXIS Funding Corp	$17,350,000	75.64%
AIG	$5,586,954	24.36%
TOTAL	$22,936,954	100.00%

University of Kansas – Agency #682
INVESTMENTS AND DEBT SERVICE RESERVE FUNDS

Specific Fund Investments – Cash balances not held in the State Treasury may be invested as permitted by bond documents and bond covenants. Allowable investments include:

- U.S. Government obligations
- Obligations of government-sponsored agencies
- Federal funds, unsecured certificates of deposit, time deposits and banker's acceptances
- Deposits – fully insured by FDIC
- Certain State or municipal debt obligations
- Certain pre-refunded municipal obligations
- Commercial paper
- Investments in money market funds
- Repurchase agreements
- Stripped securities
- Investments in the Municipal Investment Pool Fund
- Investment agreements
- Guaranteed investment contracts

As of June 30, 2005, the agency had the following investments:

Investment Maturities

Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Repurchase Agreements	$1,939,250			$1,117,000	$822,250
Guaranteed Investment Contracts	$13,989,203		$11,422,500		$2,566,703
TOTAL	$15,928,453	N/A	$11,422,500	$1,117,000	$3,388,953

The investments shown above include debt service reserve funds of $4,788,453 and other investments of $11,140,000 totaling $15,928,453.

Interest Rate Risk – Due to the tax exempt status of the bonds it is generally the practice of Fund management to match reserve fund interest rates to the arbitrage yield on the bonds and the term of the investments to the maturity of the bonds. For invested loan funds, the Fund generally invests to maximize the interest rate and set a term of investment based on estimated expenditures which is generally 3-5 years.
Credit Risk – The Fund holds investments that may have credit risk since the underlying securities may include securities other than those that take the form of U.S. Treasuries or obligations explicitly guaranteed by the U.S. government. The investments are unrated. Certain investments have an underlying collateral agreement.

Concentration of Credit Risk – The Fund places no limit on the amount that may be invested with any one provider. The table below identifies the percent of total investments held by each provider as of June 30, 2005.

III. Detailed Notes On All Funds

Investment Provider	Fair Value	Percent of Total
XL	$11,140,000	69.94%
Bayerische	$2,042,590	12.82%
FSA Capital Management Serv	$1,871,639	11.75%
IXIS Funding Corp	$445,223	2.80%
Trinity Plus	$429,000	2.69%
TOTAL	$15,928,453	100.00%

University of Kansas Medical Center – Agency #683
INVESTMENTS AND DEBT SERVICE RESERVE FUNDS

Specific Fund Investments – Cash balances not held in the State Treasury may be invested as permitted by bond documents and bond covenants. Allowable investments include:

- U.S. Government obligations
- Obligations of government-sponsored agencies
- Federal funds, unsecured certificates of deposit, time deposits and banker's acceptances
- Deposits – fully insured by FDIC
- Certain State or municipal debt obligations
- Certain pre-refunded municipal obligations
- Commercial paper
- Investments in money market funds
- Repurchase agreements
- Stripped securities
- Investments in the Municipal Investment Pool Fund
- Investment agreements
- Guaranteed investment contracts

As of June 30, 2005, the agency had the following investments:

Investment Maturities

Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Repurchase Agreements	$0				
Guaranteed Investment Contracts	$38,683,935		$37,988,465		$695,470
TOTAL	$38,683,935	N/A	$37,988,465	N/A	$695,470

The investments shown above include debt service reserve funds of $695,470 and other investments of $37,988,465 totaling $38,683,935.

Interest Rate Risk – Due to the tax exempt status of the bonds it is generally the practice of Fund management to match reserve fund interest rates to the arbitrage yield on the bonds and the term of the investments to the maturity of the bonds. For invested loan funds, the Fund generally invests to maximize the interest rate and set a term of investment based on estimated expenditures which is generally 3-5 years.

Credit Risk – The Fund holds investments that may have credit risk since the underlying securities may include securities other than those that take the form of U.S. Treasuries or obligations explicitly guaranteed by the U.S. government. The investments are unrated. Certain investments have an underlying collateral agreement.

Concentration of Credit Risk – The Fund places no limit on the amount that may be invested with any one

III. Detailed Notes On All Funds

provider. The table below identifies the percent of total investments held by each provider as of June 30, 2005.

Investment Provider	Fair Value	Percent of Total
XL Asset Funding Corp	$11,132,267	28.78%
MBIA	$26,856,198	69.42%
IXIS Funding Corp	$463,882	1.20%
Societe Generale	$231,587	.60%
TOTAL	$38,683,935	100.00%

Wichita State University – Agency #715
INVESTMENTS AND DEBT SERVICE RESERVE FUNDS

Specific Fund Investments – Cash balances not held in the State Treasury may be invested as permitted by bond documents and bond covenants. Allowable investments include:

- U.S. Government obligations
- Obligations of government-sponsored agencies
- Federal funds, unsecured certificates of deposit, time deposits and banker's acceptances
- Deposits – fully insured by FDIC
- Certain State or municipal debt obligations
- Certain pre-refunded municipal obligations
- Commercial paper
- Investments in money market funds
- Repurchase agreements
- Stripped securities
- Investments in the Municipal Investment Pool Fund
- Investment agreements
- Guaranteed investment contracts

As of June 30, 2005, the agency had the following investments:

Investment Maturities

Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	More Than 10 Years
Repurchase Agreements	$1,517,240			$555,277	$961,962
Guaranteed Investment Contracts	$18,169,234		$18,169,234		
TOTAL	$19,686,474	N/A	$18,169,234	$555,277	$961,962

The investments shown above include debt service reserve funds of $1,517,240 and other investments of $18,169,234, totaling $19,686,474.

Interest Rate Risk – Due to the tax exempt status of the bonds it is generally the practice of Fund management to match reserve fund interest rates to the arbitrage yield on the bonds and the term of the investments to the maturity of the bonds. For invested loan funds, the Fund generally invests to maximize the interest rate and set a term of investment based on estimated expenditures which is generally 3-5 years.

Credit Risk – The Fund holds investments that may have credit risk since the underlying securities may include securities other than those that take the form of U.S. Treasuries or obligations explicitly guaranteed by the U.S. government. The investments are unrated. Certain investments have an underlying collateral agreement.

Concentration of Credit Risk – The Fund places no limit on the amount that may be invested with any one

III. Detailed Notes On All Funds

provider. The table below identifies the percent of total investments held by each provider as of June 30, 2005.

Investment Provider	Fair Value	Percent of Total
MBIA	$19,131,197	97.18%
AIG	$555,277	2.82%
TOTAL	$19,686,474	100.00%

Component Unit-Universities

The following table summarizes the Universities' component units' cash and investments at June 30, 2005 (expressed in thousands):

		Fair Value
U.S. Government Obligations	$	251
U.S. Government Agency Securities		255
Kansas Banks		2,595
Invested with PMIB		6,329
Invested with KDFA		139,380
Cash and other investments		2,156,278
Total cash and investments	$	2,305,088

University component unit cash investments minimize risks for credit, interest and concentration of credit per specific investment policies which include U.S. treasury securities or obligations explicitly guaranteed by the U.S. government.

III. Detailed Notes On All Funds

This page intentionally left blank.

III. Detailed Notes On All Funds

Kansas Public Employees Retirement System Investments

Presently, the Retirement System has investments in the financial futures market. Futures contracts are contracts for delayed delivery or receipt of securities in which the seller agrees to make delivery and the buyer agrees to take delivery at a specified future date, of a specified instrument, at a specified price. Market risk arises due to market price and interest fluctuations that may result in a decrease in the fair value of futures contracts. Futures contracts are traded on organized exchanges and require initial margin in the form of cash or marketable securities. Daily, the net change in the futures contract value is settled in cash with the exchanges. Holders of futures contracts look to the exchange for performance under the contract. Accordingly, the credit risk due to nonperformance of counterparties to futures contracts is minimal. At June 30, 2005, the Retirement System had futures contracts with a fair value of approximately $419,400,000. Cash equivalents and short-term investments in amounts necessary to settle the futures contracts were held in the portfolio so that no leverage was employed, in accordance with the Statement of Investment Policy.

The Retirement System's Statement of Investment Policy authorizes participation in a securities lending program administered by the master global custodian, Mellon Trust. The System receives income from the loan of the securities, in addition to the income, which accrues to the System as owner of the securities. The securities loans are open contracts and therefore could be terminated at any time by either party. The type of securities lent include U.S. Government securities, domestic and international equities, and domestic and international bonds.

The borrower collateralizes the loan with either cash or government securities of 102 percent of fair value on domestic securities and 105 percent of fair value on international securities loaned. Cash collateral is invested in the Retirement System's name in a dedicated short-term investment fund consisting of investment grade debt securities. The System does not have the ability to pledge or sell collateral securities without a borrower default. At June 30, 2005, the maturities of securities in this dedicated bond portfolio are as follows: 43 percent of the fair value of the securities mature within 30 days; 28 percent mature between 31 and 180 days; and 29 percent mature after 180 days.

The custodian provides for full indemnification to the retirement System for any losses that might occur in the event of borrower default. Therefore, the Retirement System does not incur any credit risk as it relates to this activity. The securities on loan are marked to market daily to ensure the adequacy of the collateral. The fair value of securities on loan as of June 30, 2004, and June 30, 2005, were $2,136,687,810 and $2,372,391,980 respectively. Collateral held by the Retirement System for June 30, 2004, and June 30, 2005 was $2,173,652,076 and $2,441,833,132 respectively. Net income produced from securities lending activities for fiscal year 2004 was $3,803,825 and for fiscal year 2005 was $5,077,335.

The Retirement System's international investment managers use forward contracts to hedge the exposure of the international investments to fluctuations in foreign currency. Active international investment managers use forward contracts to enhance returns or to control volatility. The Retirement System also contracts with a currency overlay manager to manage the currency exposure to the System's passive international equity portfolio. Currency risk arises due to foreign exchange rate fluctuations. Forward foreign exchange contracts are negotiated between two counterparties. The Retirement System could incur a loss if its counterparties failed to perform pursuant to terms of their contractual obligations. Controls are established by the investment managers to monitor the creditworthiness of the counterparties.

All forward foreign currency contracts are carried at fair value by the Retirement System. As of June 30, 2005, the System had sold forward currency contracts with a fair value of $871,474,871 and had bought forward currency contracts with a fair value of $838,073,360. Purchases of forward currency contracts are liabilities reported as Securities Purchased, and sales of forward currency contracts are receivables reported as Sale of Investment Securities.

The Retirement System also participates in option contracts. These contractual agreements give the purchaser the right, but not the obligation, to purchase or sell a financial instrument at a specified price within a specified time. Options strategies used by the Retirement System are designed to provide exposures to positive market moves and limit exposures to interest rate and currency fluctuations.

III. Detailed Notes On All Funds

The Retirement System internally manages a Treasury Inflation Protected Securities (TIPS) portfolio. TIPS are fixed income securities issued by the U.S. Treasury that pay a fixed coupon rate plus an adjustment for subsequent inflation. At June 30, 2005, the Retirement System had invested in TIPS with a fair value of approximately $1,050,500,000.

Custodial Credit Risk - is when in the event a financial institution or counterparty fails, the System would not be able to recover value of deposits, investments or collateral securities that are in the possession of an outside party. One hundred percent (100%) of the Systems investments are held in the System's name and are not subject to creditors of the custodial bank.

Concentration Risk – The System has investments in Federal National Mortgage Association issued securities that represent 5.6 percent of the total net asset value. No other single issuer represents five percent or more of System assets other than the U.S. Government.

Currency Risk – is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Retirement System's investments at June 30, 2005 were distributed among the following currencies:

	USD Equivalent	Currency	Percent
$	111,842,897	Australian Dollar	0.81%
	17,207,862	Brazil Real	0.12%
	565,313,573	British Pound Sterling	4.11%
	104,269,418	Canadian Dollar	0.76%
	10,476,670	Danish Krone	0.08%
	2,590,823	Egyptian Pound	0.02%
	870,304,201	Euro Currency Unit	6.32%
	47,515,537	Hong Kong Dollar	0.35%
	1,237,601	Hungarian Forint	0.01%
	4,482,375	Indonesian Rupian	0.03%
	572,565,481	Japanese Yen	4.16%
	13,916,284	Malaysian Ringgit	0.10%
	19,456,163	Mexican New Peso	0.14%
	5,406,637	New Taiwan Dollar	0.04%
	2,102,664	New Turkish Lira	0.02%
	12,725,462	New Zealand Dollar	0.09%
	19,564,374	Norwegian Krone	0.14%
	849,256	Philippines Peso	0.01%
	4,704,271	Polish Zloty	0.03%
	12,387,234	S African Comm Rand	0.09%
	25,077,036	Singapore Dollar	0.18%
	36,336,225	South Korean Won	0.26%
	52,979,057	Swedish Krona	0.38%
	196,930,196	Swiss Franc	1.43%
	8,970,803	Thailand Baht	0.07%
	11,051,606,140	U.S. Dollar *	80.25%
$	13,770,818,240		100.00%

* Includes securities lending collateral of $2,225,521,793

The Systems asset allocation and investment policies include active and passive investments in international securities as shown above. The System's target allocation is to have 18 percent of assets (excluding SL collateral) in dedicated

III. Detailed Notes On All Funds

international equities. The System also has 8 percent of assets targeted to Global Equities which are expected to be between 40 and 60 percent international. Core Plus bond managers are allowed to invest up to 20 percent of their portfolio in non-dollar securities. The System utilizes a currency overlay manager to reduce risk by hedging up to 50 percent of the foreign currency for selected international equity portfolios. At June 30, 2005 the System's total foreign currency exposure was 15.3 percent hedged.

Credit Risk – is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. The Retirement System's investment policies require Core and Core+ managers to have at least 70 percent of holdings in investment grade securities. Each portfolio is required to maintain a reasonable risk level relative to its benchmark. System assets subject to credit risk are shown with credit ratings as of June 30, 2005.

Quality Rating	Commercial Paper	Corporate	Agency	U.S. Government	Securities Lending Collateral	Total
NR	-	9,083	-	-	578,245	587,328
AAA	200,958	146,360	629,490	1,753,654	164,522	2,894,984
AA	96,794	162,290	273,521	110,366	1,270,892	1,913,863
A	17,000	129,730	-	-	211,863	358,593
BAA	-	195,394	-	-	-	195,394
BA	2,693	201,684	-	-	-	204,377
B	-	57,836	-	-	-	57,836
CAA	-	39,839	-	-	-	39,839
Total	317,445	942,216	903,011	1,864,020	2,225,522	6,252,214

Commercial Paper also includes repurchase agreements and other short term securities. Agency securities are those implicitly guaranteed by the U.S. Government. U.S. Government securities are treasury securities and agencies explicitly guaranteed. Securities Lending Collateral are securities invested using cash collateral from the securities lending program, not pooled with any other institution's funds. Securities rated A1/P1 are included in AA on this table. The securities lending collateral class has the following policy requirements: to be rated A3/A- or better; Commercial Paper must be A1/P1; Asset-backed securities must be AA3/AA- or better; repurchase agreements must be 102 percent collateralized with A3/A- or A1/P/1 or better securities and held by the custodial band or third-party custodian. Securities Lending Collateral NR (Not Rated) securities are 100 percent repurchase agreements.

Interest Rate Risk – The risk that changes in interest rates will adversely affect the fair value of an investment. Investment policy requires Core and Core+ managers to be within 20 percent of their benchmark duration, and all fixed portfolios shall maintain a reasonable risk level relative to their benchmarks. The same System assets as above are also subject to interest rate risk. These are shown below grouped by Effective Duration ranges.

Effective Duration	Commercial Paper	Corporate	Agency	U.S. Government	Securities Lending Collateral	Total
0-1 yr	317,273	244,713	317,101	211,877	2,225,522	3,316,486
1-3 yrs	-	140,207	502,934	247,870	-	891,011
3-5 yrs	-	210,227	52,178	133,000	-	395,405
5-10 yrs	172	279,776	29,445	85,869	-	395,262
10-22 yrs	-	67,293	1,353	1,185,404	-	1,254,050
Total	317,445	942,216	903,011	1,864,020	2,225,522	6,252,214

Treasury Inflation Protected Securities comprise 92 percent of the U.S. Gov, 10-22 yrs group. Total TIPS for all duration ranges were valued at $1,118,968,333 at June 30, 2005. Securities Lending collateral policy limits the maximum average

III. Detailed Notes On All Funds

portfolio maturity of 90 days. Only floating rate and fixed rate asset-backed securities may mature beyond thirteen months.

C. External Investment Pool

The Kansas Municipal Investment Pool (MIP) was created on July 1, 1992, as a voluntary, State-managed investment alternative for State and local funds. The Kansas State Treasurer's Office acts as the custodian for all moneys deposited. All Kansas governmental units, including cities, counties, school districts and other governmental entities holding public moneys are eligible to participate in the MIP.

The MIP is considered a mixed pool because the State of Kansas is a participant in the pool. At June 30, 2005, the State's participation in the Pool was $4.3 million. Deposits in the MIP are combined with State moneys to form the Pooled Money Investment Portfolio (PMIP). Investments subject to categorization of the PMIP are all category 1. As of March 15, 2004, the Pooled Money Investment Portfolio was rated AAAf/S-1+ by Standard & Poor's.

The MIP structure provides fixed rate investment alternatives between thirty and one hundred seventy nine days plus one hundred eighty, and three hundred sixty five-day maturities as well as a variable rate, daily liquidity, overnight investment alternative. Participants' ownership in the fund is based on their deposits and is reflected as net assets held in trust on the statement of fiduciary net assets. The MIP is valued on a monthly basis.

D. Receivables

Accounts receivable as of June 30, 2005, for the State's primary government and component units net of the applicable allowances for uncollectible accounts, are as follows (expressed in thousands):

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Taxes receivable	$ 372,047	$ 0	$ 372,047	$ 0
Federal aid				
Loan receivable		664,149	664,149	34,364
Accrued interest	748	11,232	11,980	3,670
Other receivables	343,133	11,115	354,248	216,950
Total	$ 715,928	$ 686,496	$ 1,402,424	$ 254,984

Taxes receivable are shown net of allowances for uncollectible taxes of $347.7 million and net of estimated individual and corporate refunds of $192.4 million.

E. Investment in Direct Financing Leases

Component Units

The Kansas Development Finance Authority issues lease revenue bonds to facilitate construction of certain capital projects for various State agencies. KDFA's interests in the projects have been assigned to various State government

III. Detailed Notes On All Funds

units through the use of financing lease transactions. Contained in the trust indenture or resolution and lease agreement for each series of bonds is a capital lease provision by which lease revenues paid by the various governmental units, as tenants, to KDFA as lessor, are pledged to pay bond debt service. Amounts are actually paid by the State agencies directly to the bond paying agents for the lease revenue bonds.

Net investment in direct financing leases as of June 30, 2005, are as follows (expressed in thousands):

Total minimum lease payments to be received	$ 414,506
Less: unearned income	(128,836)
Net investment in direct financing leases	$ 285,670

The future minimum lease payments to be received by KDFA under the direct financing leases mirrors the payments to be made by KDFA under the lease revenue bonds payable.

F. Restricted Assets

Certain revenue bond proceeds and other resources set aside for bond repayment, capital projects, and other purposes are reported as restricted assets in the Statement of Net Assets because their use is limited by applicable bond covenants or statutory provisions.

Donor-Restricted Assets. Kansas' permanent endowment moneys are held primarily by State university foundations. Each university has a separate foundation, and each foundation has its own policies and procedures. Typically, the permanent endowment funds have a nonexpendable permanent corpus and an earnings reserve, which is used to receive earnings and pay expenses. The donor restrictions and the Uniform Management of Institutional Funds Act (K.S.A. 58-3601) provide guidance on how these funds can be invested, and also govern the spending of net appreciation from these investments. Net appreciation is reflected in restricted net assets. The amount of net appreciation available to be spent can be found in the individual foundation annual financial reports.

G. Capital Assets

Primary Government (expressed in thousands)

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	$ 135,674	$ 17,296	$ 551	$ 152,419
Land improvements	73,953	2,155	137	75,971
Construction in progress	78,499	26,846	29,323	76,022
Infrastructure (including construction in progress)	9,032,444	804,037	413,428	9,423,053
Total capital assets, not being depreciated	9,320,570	850,334	443,439	9,727,465
Capital assets, being depreciated:				
Buildings and improvements	864,128	129,522	5,161	988,489
Equipment and furnishings	393,167	39,872	27,671	405,368
Vehicles	64,600	7,065	7,807	63,858
Water rights	27,273	0	0	27,273
Totals	1,349,168	176,459	40,639	1,484,988
Less accumulated depreciation for:				
Buildings and improvements	301,726	11,220	5,143	307,803

III. Detailed Notes On All Funds

Equipment and furnishings	197,883	30,841	25,333	203,391
Vehicles	36,357	10,558	7,807	39,108
Water rights	11,615	601	0	12,216
Totals	547,581	53,220	38,283	562,518
Total capital assets, being depreciated, net	801,587	123,239	2,356	922,470
Governmental activity capital assets, net	$ 10,122,157	$ 973,573	$ 445,795	$ 10,649,935
Business-type activities				
Capital assets, being depreciated:				
Equipment and furnishings	$ 4,092	$ 24	$ 10	$ 4,106
Less accumulated depreciation for:				
Equipment and furnishings	3,616	245	2	3,859
Business-type activity capital assets, net	$ 476	$ (221)	$ 8	$ 247

Depreciation expense was charged to functions/programs as follows (expressed in thousands):

Governmental activities	
General government	$ 9,603
Human resources	4,038
Education	1,171
Public safety	14,670
Agriculture and natural resources	3,725
Highways and other transportation	18,846
Health and environment	1,167
Total depreciation expense – Government activities	$ 53,220
Business-type activities	
Health care stabilization	$ 2
Lottery	243
Total depreciation expense – Business-type activities	$ 245

III. Detailed Notes On All Funds

Component Units (expressed in thousands)

	Beginning Balance	Increases	Decreases	Ending Balance
Kansas Development Finance Authority				
Capital assets, being depreciated				
Furniture and equipment	$ 166	$ 26	$ 4	$ 188
Buildings and improvements	105	0	0	105
Assets under development	0	10	0	10
Less Accumulated depreciation	164	47	4	206
Total capital assets, being depreciated, net	$ 107	$ 10	$ 0	$ 97
Kansas Technology Enterprise Corporation				
Capital assets, being depreciated				
Furniture and equipment	$ 1,217	$ 0	$ 0	$ 1,217
Less accumulated depreciation	1,113	69	0	1,182
Total capital assets, being depreciated, net	$ 104	$ 69	$ 0	$ 35
Kansas Housing Resources Corporation				
Capital assets, being depreciated				
Furniture and equipment	$ 392	$ 236	$ 206	$ 422
Vehicles	12	0	0	12
Building improvements	104	16	104	16
Less accumulated depreciation	287	75	200	162
Total capital assets, being depreciated, net	$ 221	$ 177	$ 110	$ 288
University System				
Capital assets, not being depreciated:				
Land	$ 35,242	$ 65	$ 2,041	$ 33,266
Land improvements	85,048	5,884	61	90,871
Construction in progress	117,927	90,673	101,435	107,165
Total capital assets, not being depreciated	238,217	96,622	103,537	231,302
Capital assets, being depreciated				
Buildings and improvements	1,546,892	95,819	15,509	1,627,202
Equipment and furnishings	337,890	44,813	14,267	368,436
Vehicles	38,431	1,022	896	38,557
Total capital assets, being depreciated	1,923,213	141,654	30,672	2,034,195
Less accumulated depreciation for:				
Building and improvements	672,702	41,717	1,207	713,212
Equipment and furnishings	213,735	25,884	8,859	230,760
Vehicles	33,247	2,719	774	35,192
Totals	919,684	70,320	10,840	979,164
Total capital assets, being depreciated, net	1,003,529	71,334	19,832	1,055,031
University capital assets, net	$ 1,241,746	$ 167,956	$ 123,369	$ 1,286,333

III. Detailed Notes On All Funds

Construction Commitments

Primary Government

The State has active construction projects as of June 30, 2005. The projects include road projects, dam repair, building remodeling and restoration, and new juvenile correctional facilities. The Kansas Department of Transportation (KDOT) has outstanding commitments at June 30, 2005 for various highway projects in the amount of $822 million. KDOT's commitments will be funded by revenues from various Federal, State, and local sources primarily in the form of matching Federal highway construction funds, motor fuel taxes, and vehicle registrations and permits. At year-end, the remaining State's commitments with contractors are as follows (expressed in thousands):

Agency – Project	Spent -to- Date	Remaining Commitment	Funding Source
Department of Wildlife and Parks -	$ 89	$ 1,193	Fisheries Enhancement
Install water line at Milford Hatchery			
Tuttle Creek State Park Mitigation Project	487	1,013	Army Corp Engineers Mitigation Settlement
Department of Social and Rehabilitation Services -			
State Security Hospital (Larned, KS)	43,611	6,510	Bond Series 2002N-1 to be paid from State Institutional Building Fund
State Hospital Rehabilitation & Repair (Larned and Osawatomie, KS)	17,501	17,499	Bond Series 2004A-1 to be paid from the Rehabilitation and Repair Projects Fund.
Department of Administration -			
Statehouse restoration and renovation	56,655	17,159	Lease revenue bonds secured by lease rents
Judicial Center improvement project	1,041	24	Bonds 2001 W-4
Building 740 (Forbes) remodel project	483	8	Bonds 2001 O
Juvenile Justice Authority -	37,367	122	
Topeka Juvenile Correctional Facility			Revenue bonds, grants, and fund appropriations
Larned Juvenile Correctional Facility	21,659	56	Revenue bonds, grants and fund appropriations
Department of Human Resources -			
Building renovation	3,097	553	Bonds to be paid from the Special Employment Security Fund
Unemployment Insurance Benefits System	391	2,691	Bonds to be paid from federal Reed Act funds.
Commission on Veterans Affairs -			
Winfield Veterans Cemetery Project A-9167	5,591	273	U.S. Department Veterams Affairs 100%
Adjutant General's Department			
Readiness Center Additions – Kansas City	2,317	559	Federal funds from National Guard Bureau
State Conservation Commission -			
North Fork Little Sugar Creek Reservoir (Linn County)	0	1,818	State water plan funds
Kansas State Fair -			
Grandstand (Americans with Disabilities Act)	81	1,420	Master plan bond funds by the 2001 Legislature
School for the Deaf -			
Energy Performance Contract	47	1,352	Line of Credit – Master Lease Program
Emporia State University -			
Butcher Building	365	25	State funds
Twin Towers	61	434	State funds
Wichita State University -			
Charles Koch Arena	24,446	1,340	Foundation-private gifts and bond issue
Marcus Welcome Center	556	3,909	Foundation-private donations
Engineering Research Lab Bldg.	360	1,640	KDFA Bonds

III. Detailed Notes On All Funds

Kansas State University -			
Biosecurity Research Institute	15,887	35,189	Bonds, federal funds, gifts and grants
Haymaker Renovation	1,869	1,856	Bonds
Jardine Apartments Project	586	101,414	Bonds
Grain Sci Ctr-Feed Mill	500	5,000	Private gifts
Grain Sci Ctr-Flour Mill	200	5,000	Private gifts
Beach Art Museum Addition	0	5,000	Private gifts
University of Kansas -			
Malott Hall NIH Remodel	1,931	869	Federal grant, research overhead revenue and EBF (R&R) funds
Hashinger Hall Renovation	1,079	11,521	Bonds to be paid by housing fees
Multicultural Resource Center	135	2,655	Restricted fees and private donations
University of Kansas Medical Center -			
Biomedical Research Building	21,974	43,029	Bonds and gifts
Chevron Energy Conservation	11,283	1,797	Bonds
Parking Garage 3	558	11,992	Bonds and gifts
Total	$ 272,207	$ 284,920	

H. Interfund Receivables, Payables, and Transfers

Due from/to other funds

Due from/to other funds represent interfund accounts receivable and payable. The total of due from/to other funds at June 30, 2005, is as follows (expressed in thousands):

Fund	Due from Other Funds	Due to Other Funds
General Fund	$ 4,790	$ 10,391
Social and Rehabilitation Fund	0	453
Non-major Governmental Funds	12,711	75
Non-major Enterprise Funds	0	4,790
Internal Service Funds	0	1,792
Total	$ 17,501	$ 17,501

Advances from/to other funds

Advances from/to other funds represent long-term loans from one fund to another fund. Advances at June 30, 2005, were as follows (expressed in thousands):

Fund	Advances from Other Funds	Advances to Other Funds
General Fund	$ 0	$ 201,576
Social and Rehabilitation Fund	81	2,535
Transportation Fund	125,188	0
Non-major Governmental Funds	79,217	217
Health Care Stabilization Fund	1	0
Non-major Enterprise Funds	4000	0
Internal Service Funds	29	4,188
Total	$ 208,516	$ 208,516

III. Detailed Notes On All Funds

The interfund balances designated as due from/to other funds are short-term receivables and payables resulting from the time lag between the dates that a) interfund goods and services are provided or reimbursable expenditures occur; b) transactions are recorded in the accounting system; and c) payments between funds are made.

Net transfers by major funds are as follows (expressed in thousands):

Fund	Net Transfers In	Net Transfers Out
General	$72,684	$0
Social and Rehabilitation	0	248,210
Transportation	126,483	0
Transportation – Capital Projects	0	347,000
Non-Major Governmental	480,775	0
Unemployment Insurance	0	1,647
Health Care Stabilization	3,278	0
Non-Major Enterprise	0	79,014
Internal Service Fund	0	7,349
	$683,220	$683,220

III. Detailed Notes On All Funds

I. Short-term Obligations

Short-term obligations at June 30, 2005 and changes for the fiscal year then ended (expressed in thousands) are as follows:

	6/30/04 Beginning Balance	Additions	Deletions	6/30/05 Ending Balance
Governmental Activities				
Certificates of Indebtedness	$ 0	$ 450,000	$ 450,000	$ 0
Accrued receivables:				
State Building Fund	0	22,079	22,079	0
Children's Initiatives Fund	0	26,095	26,095	0
Correctional Institution Building Fund	0	3,994	3,994	0
Bond Anticipation Notes:				
KDFA Series 2005-1, 4.26%	0	6,000	0	6,000
KDFA Series 2004-1, 3.10%	0	3,082	0	3,082
Total short-term obligations	$ 0	$ 511,250	$ 502,168	$ 9,082

A Certificate of Indebtedness may be written and issued by the Pooled Money Investment Board (PMIB), an agency of the State, per K.S.A. 75-3725a. This occurs when it appears estimated resources are sufficient in the State General Fund (SGF) to meet the State's expenditures and obligations for that fiscal year, but may not be sufficient to do so in a particular month(s) when obligations are due. Once approval has been granted as prescribed in K.S.A. 75-3725a, the written Certificate of Indebtedness is issued by the PMIB subject to redemption from the SGF not later than June 30, immediately following the issuance of the indebtedness. No interest is accrued or paid. A Certificate of Indebtedness of $450 million was issued on July 1, 2004 and redeemed on June 30, 2005.

Per K.S.A. 76-6b11, on July 1 of each year ad valorem tax and receivables are posted to the State Treasurer's receivables for the State Buildings Fund. The receivable is reduced as the ad valorem taxes are received. In fiscal year 2005, $14.7 million was posted to the Kansas Educational Building Fund and $7.4 million to the State Institutions Buildings Fund. The receipts reduced the receivable to zero in March 2005.

Per House Bill 2675, Section 88(h) of the 2004 session, receivables are to be posted to the State Treasurer's receivables for the Children's Initiatives Fund by an amount certified by the director of budget which is to be 50 percent of the estimated receipts during the year. The receivable amount is reduced as monies are received into the fund. In fiscal year 2005 a receivable was posted for $26.1 million and was reduced to zero in April 2005.

Per House Bill 2675, Section 88(i) of the 2004 Session, on July 1, 2004, receivables are to be posted to the State Treasurer's receivables for the Correctional Institutions Building Fund by an amount certified by the director of budget which is to be 50 percent of the estimated receipts during the year. The receivable amount is reduced as monies are received into the fund. In fiscal year 2005, a receivable was posted for $4 million and was reduced to zero in March, 2005.

The Kansas Development Finance Authority is empowered by law to consider, authorize, issue, and sell debt obligations of the State. To date, the KDFA has authorized the issuance of notes in anticipation of revenue or bond financing. When this short-term debt does not meet long-term financing criteria, it is classified among fund liabilities.

The $6,000,000 KDFA Bond Anticipation Note, Series 2005-1, was issued to fund a capital improvement project for the Kansas Army National Guard Armory. The loan was provided by the Pooled Money Investment Board for a term of 365 days (due June 15, 2006) at an interest rate of 4.26%.

The $3,082,000 KDFA Bond Anticipation Note, Series 2004-1, was issued to fund the Kansas Department of Labor unemployment insurance benefit system upgrade project. The loan was provided by the Pooled Money Investment Board for a term of 534 days (due April 1, 2006) at an interest rate of 3.10%.

III. Detailed Notes On All Funds

J. Long-term Obligations

A summary of long-term obligations at June 30, 2005 for the fiscal year then ended is as follows (expressed in thousands):

	Government Activities	Business-type Activities	Component Units	Total
Revenue bonds payable	$ 1,748,407	$ 650,193	$ 726,535	$ 3,125,135
Sales tax limited obligation bonds	173,239	0	0	173,239
Notes payable	22,391	0	68,351	90,742
Capital leases payable	159,781	0	0	159,781
Arbitrage rebate payable	388	2,003	62	2,453
Claims and judgements	54,642	187,474	0	242,116
Compensated absences	100,030	49	47,919	147,998
Other	0	11,392	106,726	118,118
Total long-term obligations	$ 2,258,878	$ 851,111	$ 949,593	$ 4,059,582

Long-term obligations at June 30, 2005 and changes for the fiscal year then ended are as follows (expressed in thousands):

	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/04 Beginning Balance	Additions	Deletions	6/30/05 Ending Balance	Amounts Due In One Year
Governmental Activities									
Revenue bonds payable:									
KDFA Series 1996 SK-1	1996	3.30 – 4.75%	2006	$ 8,890	$ 2,085	$ 0	$ 1,020	$ 1,065	$ 1,065
KDFA Series 1998 V	1999	4.25 – 5.00%	2008	11,195	5,605	0	1,300	4,305	1,365
KDFA Series 1999 E	1999	4.00 – 5.00%	2009	34,470	18,745	0	3,435	15,310	3,600
KDFA Series 2001 M	2002	3.50 – 5.00%	2011	32,390	25,320	0	3,175	22,145	3,305
KDFA Series 2003 H	2004	1.41 – 5.21%	2014	40,250	40,250	0	3,430	36,820	3,495
KDFA Series 2003 J	2004	2.00 – 5.25%	2025	6,135	6,135	0	0	6,135	345
KDFA Series 2004 A	2004	2.00 – 5.00%	2024	50,730	50,730	0	1,475	49,255	1,870
KDFA Series 2004 C	2004	3.43 – 5.50%	2034	500,000	500,000	0	0	500,000	0
KDFA Series 2004 G-1 & G-2	2005	2.50 – 5.13%	2024	1,545	0	1,545	0	1,545	430
KDOT Series 1993 A	1993	2.65 – 5.63%	2012	147,405	21,030	0	950	20,080	1,000
KDOT Series 1998	1998	3.65 – 5.50%	2015	189,195	110,495	0	4,645	105,850	15,000
KDOT Series 1999	2000	4.40 – 5.75%	2019	325,000	6,655	0	0	6,655	6,655
KDOT Series 2000 A, B & C	2001	4.50 – 5.85%	2021	350,000	200,000	0	0	200,000	0
KDOT Series 2002 A	2003	Variable	2012	199,600	185,690	0	32,865	152,825	24,100
KDOT Series 2002 B & C	2003	3.39%	2020	320,005	320,005	0	0	320,005	0
KDOT Series 2002 D	2003	Variable	2012	88,110	88,110	0	0	88,110	0
KDOT Series 2003 A & B	2004	3.13 – 5.00%	2014	248,190	248,190	0	0	248,190	0
KDOT Series 2003 C	2004	3.36%	2016	150,275	150,275	0	0	150,275	0
KDOT Series 2004 A	2004	4.50 – 5.50%	2023	250,000	250,000	0	0	250,000	0
KDOT Series 2004 B	2005	Variable	2025	200,000	0	200,000	0	200,000	0
KDOT Series 2004 C	2005	Variable	2025	147,000	0	147,000	0	147,000	0
Plus deferred amounts:									
Net unamortized premium (discount)				0	45,730	353	6,304	39,779	0
Unamortized deferred refunding difference				0	(72,604)	0	(10,777)	(61,827)	0
				3,300,385	2,202,446	348,898	47,822	2,503,522	62,230
Less – Demand Obligations				0	(608,115)	(147,000)	0	(755,115)	0
Total revenue bonds payable				3,300,385	1,594,331	201,898	47,822	1,748,407	62,230
Sales tax limited obligation bonds:									
1999 KISC	1999	4.20 – 5.25%	2027	17,496	17,496	0	0	17,496	0
2001 Project Area B	2001	4.00 – 5.10%	2020	20,639	20,639	0	0	20,639	0
2001 NFM	2001	7.27%	2020	46,300	46,300	0	439	45,861	875
2001 Cabelas Series C-1	2001	Variable	2020	37,080	34,980	205	1,685	33,500	1,255
2001 Cabelas Series C-2	2001	7.27%	2020	9,720	9,321	0	868	8,453	360
2002 Subordinate KISC	2002	5.00 – 8.00%	2022	4,550	4,147	0	493	3,654	579
RED Development	2003	Variable	2020	38,912	26,845	5,202	576	31,471	1,214
Beaumont Hotel	2004	Variable	2021	2,160	1,103	1,057	30	2,130	76
RED 2005	2005	Variable	2021	33,984	0	10,035	0	10,035	394
Total sales tax limited obligation bonds				210,841	160,831	16,499	4,091	173,239	4,753
Notes payable:									
Water supply storage assurance				1,972	689	0	227	462	230
Water supply storage in Federal reservoirs				27,273	18,926	0	461	18,465	477
Landon State Office Building				15,775	1,687	0	562	1,125	562
Wildlife & Parks – Tuttle Creek				1,264	0	1,264	0	1,264	0
Printing plant				3,857	1,247	0	172	1,075	175
Total notes payable				50,141	22,549	1,264	1,422	22,391	1,444
Capital leases payable					161,801	8,588	10,608	159,781	10,550
Arbitrage rebate payable					385	13	10	388	0
Claims and judgments					49,396	344,046	338,800	54,642	29,784
Compensated absences					94,806	5,224	0	100,030	50,754
Total Governmental Activities					$ 2,084,099	$ 577,532	$ 402,753	$ 2,258,878	$ 159,515

III. Detailed Notes On All Funds

	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/04 Beginning Balance	Additions	Deletions	6/30/05 Ending Balance	Amounts Due In One Year
Business-type Activities									
Revenue bonds payable:									
KDFA Series 1997 1 & 2	1998	4.13 - 5.00%	2020	$ 45,420	$ 39,310	$ 0	$ 22,870	$ 16,440	$ 1,770
KDFA Series 1997 I & II	1997	4.10 - 5.60%	2017	39,260	7,755	0	1,530	6,225	1,700
KDFA Series 1998 1 & 2	1999	3.88 - 5.25%	2021	39,690	35,240	0	17,510	17,730	1,465
KDFA Series 1998 II	1998	3.75 - 5.25%	2020	80,500	71,725	0	2,315	69,410	2,500
KDFA Series 2000 I & II	2000	4.60 - 6.13%	2022	82,915	24,875	0	2,050	22,825	2,655
KDFA Series 2000 1 & 2	2000	4.75 - 5.75%	2023	53,500	51,175	0	26,305	24,870	1,760
KDFA Series 2001 I & II	2002	3.00 - 5.50%	2022	141,045	137,890	0	3,090	134,800	3,090
KDFA Series 2002 1 & 2	2002	4.00 - 5.50%	2024	51,805	51,805	0	21,920	29,885	1,670
KDFA Series 2002 II	2003	2.26 - 5.50%	2024	101,575	97,575	0	2,585	94,990	4,350
KDFA Series 2004 I & II	2004	2.00 - 5.25%	2023	50,140	50,140	0	1,000	49,140	1,000
KDFA Series 2004 1 & 2	2005	3.00 - 5.00%	2026	176,010	0	176,010	0	176,010	380
Plus deferred amounts:									
Net unamortized premium (discount)				0	17,334	12,078	2,450	26,962	0
Unamortized deferred refunding difference				0	0	(19,094)	0	(19,094)	0
Total revenue bonds payable				861,860	584,824	168,994	103,625	650,193	22,340
Arbitrage rebate payable					3,123	3	1,123	2,003	1,474
Claims and judgments					183,489	4,600	615	187,474	15,072
Compensated absences					54	0	6	48	39
Other					(930)	12,323	0	11,393	0
Total Business-type Activities					$ 770,560	$ 185,920	$ 105,369	$ 851,111	$ 38,925
Component Units									
Revenue bonds payable:									
Board of Regents Series 1969	1970	3.00 - 7.13%	2009	$ 1,100	$ 210	$ 0	$ 40	170	$ 45
KDFA Series 1989 E	1990	6.00 - 7.25%	2010	1,401	649	41	131	559	128
KDFA Series 1991 D	1992	4.70 - 6.50%	2007	1,795	585	0	585	0	0
KDFA Series 1993 L	1994	3.40 - 5.15%	2009	3,975	835	0	210	625	85
KDFA Series 1994 C	1995	4.00 - 5.90%	2010	10,320	1,905	0	1,905	0	0
KDFA Series 1995 E	1996	4.10 - 5.20%	2007	2,734	505	0	280	225	200
KDFA Series 1995 G	1996	3.80 - 4.75%	2005	2,095	450	0	450	0	0
KDFA Series 1995 K	1996	3.75 - 5.40%	2016	3,835	2,875	0	155	2,720	160
KDFA Series 1996 A	1996	4.00 - 5.20%	2008	5,105	845	0	340	505	175
KDFA Series 1996 E	1996	3.90 - 5.75%	2021	4,100	3,360	0	3,360	0	0
KDFA Series 1996 J	1997	3.85 - 5.40%	2010	5,600	1,530	0	335	1,195	350
KDFA Series 1997 C	1997	4.70 - 5.30%	2011	3,255	1,865	0	240	1,625	250
KDFA Series 1997 G-1 & G-2	1998	3.75 - 5.50%	2012	109,281	74,210	45	51,435	22,820	7,905
KDFA Series 1998 B	1998	3.90 - 5.00%	2018	9,320	7,560	0	340	7,220	355
KDFA Series 1998 D	1998	3.70 - 5.05%	2023	4,290	3,690	0	110	3,580	110
KDFA Series 1998 E	1999	3.40 - 4.90%	2024	4,750	4,340	0	115	4,225	120
KDFA Series 1998 H	1998	3.75 - 4.80%	2013	2,320	1,640	0	130	1,510	135
KDFA Series 1998 L	1999	3.80 - 5.00%	2019	5,590	4,665	0	215	4,450	225
KDFA Series 1998 P	1999	3.00 - 4.85%	2019	3,650	3,100	0	125	2,975	130
KDFA Series 1999 A-1 & A-2	1999	3.20 - 5.00%	2012	28,210	22,290	0	2,920	19,370	3,180
KDFA Series 1999 B	1999	3.60 - 5.00%	2019	2,920	2,520	0	110	2,410	115
KDFA Series 1999 C	1999	4.00 - 5.10%	2019	3,085	2,670	0	115	2,555	120
KDFA Series 1999 D	1999	4.00 - 4.75%	2014	11,170	8,840	0	650	8,190	660
KDFA Series 1999 F	2000	3.70 - 5.00%	2005	5,740	1,055	0	1,055	0	0
KDFA Series 1999 H	2000	3.75 - 5.63%	2020	17,830	15,680	0	595	15,085	625
KDFA Series 1999 N	2000	4.00 - 5.88%	2035	21,645	1,865	0	275	1,590	285
KDFA Series 2000 B	2000	4.70 - 5.90%	2015	5,705	4,680	0	285	4,395	300
KDFA Series 2000 D	2001	4.60 - 5.60%	2015	1,735	1,415	0	90	1,325	90
KDFA Series 2000 R	2001	4.35 - 4.60%	2005	4,530	1,945	0	950	995	995
KDFA Series 2000 T	2001	4.35 - 5.13%	2015	2,090	1,775	0	115	1,660	120
KDFA Series 2000 V	2001	4.35 - 5.38%	2021	16,370	14,415	0	1,000	13,415	1,050
KDFA Series 2001 B	2001	3.65 - 5.20%	2021	2,805	2,535	0	100	2,435	105
KDFA Series 2001 D	2001	4.25 - 5.25%	2021	48,895	44,415	0	1,710	42,705	1,795
KDFA Series 2001 F	2001	3.30 - 5.50%	2012	29,905	24,525	0	2,785	21,740	2,900
KDFA Series 2001 J	2002	3.50 - 4.30%	2013	5,300	4,130	0	445	3,685	460
KDFA Series 2001 N	2001	4.25 - 5.25%	2014	14,260	10,560	0	2,855	7,705	1,085
KDFA Series 2001 S	2002	4.13 - 5.50%	2021	38,635	19,545	0	4,195	15,350	1,135
KDFA Series 2001 U	2002	3.10 - 5.00%	2021	10,295	9,010	0	525	8,485	550
KDFA Series 2001W	2002	3.00 - 5.00%	2022	49,865	47,570	0	1,665	45,905	1,720
KDFA Series 2002 A	2002	3.50 - 5.00%	2027	26,560	24,785	0	1,075	23,710	1,115
KDFA Series 2002 C	2002	3.00 - 5.00%	2022	15,830	15,255	0	600	14,655	610
KDFA Series 2002 H	2003	2.50 - 4.70%	2022	3,765	3,470	0	145	3,325	145
KDFA Series 2002 J-1 & J-2	2003	3.39 - 3.58%	2035	33,355	33,355	0	545	32,810	760
KDFA Series 2002 K	2003	4.30 - 5.00%	2023	5,120	5,120	0	0	5,120	0
KDFA Series 2002 N	2003	3.00 - 5.25%	2023	52,075	51,085	0	1,790	49,295	1,845
KDFA Series 2002 P	2003	3.00 - 5.00%	2021	12,150	11,700	0	465	11,235	480
KDFA Series 2003 A-1 & A-2	2003	1.80 - 5.50%	2023	2,610	2,525	0	85	2,440	85
KDFA Series 2003 C	2003	4.67 - 5.00%	2033	72,670	72,670	0	2,890	69,780	1,500
KDFA Series 2003 D-1 & D-2	2003	2.00 - 4.70%	2028	6,470	6,285	0	205	6,080	205
KDFA Series 2003 J	2004	2.00 - 5.25%	2025	34,100	34,100	0	0	34,100	2,405
KDFA Series 2004 D	2005	3.00 - 4.75%	2020	1,195	0	1,195	0	1,195	0
KDFA Series 2004 F	2005	2.00 - 5.25%	2012	44,860	0	44,860	755	44,105	75
KDFA Series 2004 G-1 & G-2	2005	2.50 - 5.13%	2024	19,795	0	19,795	970	18,825	700
KDFA Series 2005 A	2005	3.00 - 5.00%	2035	44,535	0	44,535	0	44,535	0
KDFA Series 2005 D	2005	3.79 - 5.18%	2022	66,530	0	66,530	0	66,530	0
KDFA Series 2005 E-1 & E-2	2005	3.00 - 5.00%	2030	19,360	0	19,360	0	19,360	0

III. Detailed Notes On All Funds

	Issue Dates	Interest Rates	Maturity Through	Original Amount of Debt	6/30/04 Beginning Balance	Additions	Deletions	6/30/05 Ending Balance	Amounts Due In One Year
Plus deferred amounts:									
Net unamortized premium (discount)				0	2,800	3,716	485	6,031	0
Total Revenue Bonds Payable				966,486	619,409	200,077	92,951	726,535	37,588
Notes payable:									
Plant science building				4,086	866	0	866	0	0
KSU Grain Science Center				3,875	3,355	520	1,000	2,875	0
KSU line of credit – oracle project				2,067	1,195	394	666	923	425
Component units of university system				120,003	76,900	21,849	34,196	64,553	4,144
Total notes payable				130,031	82,316	22,763	36,728	68,351	4,569
Arbitrage rebate payable					16	64	18	62	0
Compensated absences					44,887	3,032	0	47,919	39,028
Other					17,129	89,597	0	106,726	5,112
Total Component Units					$ 763,757	$ 315,533	$ 129,697	$ 949,593	$ 86,297

III. Detailed Notes On All Funds

The following table presents annual debt service requirements for those long-term debts outstanding at June 30, 2005, which have scheduled debt service amounts (expressed in thousands):

	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
Revenue bonds:						
2006	$ 62,230	$ 130,091	$ 22,340	$ 31,963	$ 37,588	$ 32,652
2007	67,760	118,672	26,500	30,936	44,620	31,342
2008	65,625	115,076	28,015	29,708	44,491	29,279
2009	77,410	109,089	29,685	28,369	43,409	27,312
2010	121,090	102,007	31,585	26,962	44,681	25,359
2011-2015	633,165	415,499	184,725	108,733	183,525	98,659
2016-2020	570,465	290,854	190,675	59,449	158,045	60,370
2021-2025	677,175	133,341	125,380	15,127	105,495	23,764
2026-2030	124,435	55,945	3,420	158	35,585	9,656
2031-2035	126,215	17,817	0	0	23,065	2,582
2036-2040	0	0	0	0	0	0
Unamortized premium	39,779	0	26,962	0	6,031	0
Unamortized deferred refunding	(61,827)	0	(19,094)	0	0	0
Totals	2,503,522	1,488,391	650,193	331,405	726,535	340,975
Sales tax limited obligation bonds:						
2006	4,753	10,864	0	0	0	0
2007	5,734	10,618	0	0	0	0
2008	6,783	10,245	0	0	0	0
2009	7,413	9,859	0	0	0	0
2010	8,060	9,415	0	0	0	0
2011-2015	50,455	38,616	0	0	0	0
2016-2020	68,628	20,342	0	0	0	0
2021-2025	16,444	5,097	0	0	0	0
2026-2028	4,969	5,145	0	0	0	0
Totals	173,239	120,201	0	0	0	0
Notes payable:						
2006	1,444	796	0	0	4,569	2,281
2007	2,728	739	0	0	4,452	2,162
2008	688	651	0	0	7,292	1,947
2009	708	632	0	0	5,290	1,699
2010	727	612	0	0	18,564	1,439
2011-2015	3,211	2,745	0	0	25,069	9,305
2016-2020	3,599	2,172	0	0	3,115	227
2021-2025	4,130	1,483	0	0	0	0
2026-2030	3,229	758	0	0	0	0
2031-2035	1,265	208	0	0	0	0
2036-2040	544	61	0	0	0	0
2041-2045	118	3	0	0	0	0
Totals	22,391	10,860	0	0	68,351	19,060
Capital leases payable	159,781	0	0	0	0	0
Long-term debt without scheduled debt service:						
Arbitrage rebate payable	388	0	2,003	0	62	0
Claims and judgments	54,642	0	187,474	0	0	0
Compensated absences	100,030	0	49	0	47,919	0
Other	0	0	11,392	0	106,726	0
Total long-term obligations	$ 3,013,993	$ 1,619,452	$ 851,111	$ 331,405	$ 949,593	$ 360,035

III. Detailed Notes On All Funds

General Obligation Bonds

The State does not have the statutory authority to issue general obligation bonds. However, the Legislature has authorized the issuance of specific purpose revenue bonds and other forms of long-term obligations.

Revenue Bonds

The **Kansas Development Finance Authority** (KDFA) was created to enhance the ability of the State to finance capital improvements and improve access to long-term financing for State agencies, political subdivisions, public and private organizations, and businesses. The KDFA has issued numerous outstanding series of bonds. Please reference Note J. above for KDFA revenue bonds.

The **Kansas Department of Transportation** (KDOT) has issued 15 outstanding series of Highway Revenue Bonds to finance part of the costs of construction, reconstruction, maintenance or improvement of highways in the State as part of the State's Comprehensive Transportation Program. The State's Comprehensive Transportation Program was developed by KDOT after extensive study of the transportation needs in the State and was implemented by the 1999 Kansas Legislature. Principal and interest payments on these bond issues are paid from revenues collected in the State Highway Fund, which include motor fuels taxes, state sales taxes, compensating use taxes, and drivers' license and vehicle registration fees.

The coupon interest rate on outstanding bonds varies from 2.125 percent to 5.5 percent. In addition, the Series 2000 B and C Bonds and Series 2002 B, C and D Bonds were issued as variable rate instruments whose rates change on a daily , weekly, or 28-day basis depending on their respective individual modes. During the year, interest rates ranged from 0.83 percent to 2.95 percent on the daily adjustable bonds, from 0.9 percent to 2.7 percent on the weekly adjustable bonds and 1.19 percent to 2.95 percent on the 28-day adjustable.. The 2000 B and C Bonds and 2002 B, C, D and 2004 C Bonds are subject to tender under certain conditions. If the tendered bonds cannot be remarketed, the liquidity provider has agreed to purchase the bonds and hold them for a maximum of 180 days. Through June 30, 2005, all bonds tendered have been remarketed. However, since there is not a long-term financing option in place at June 30, 2005 for tendered bonds, the Series 2000 B and C Bonds, 2002 B, C and D Bonds and 2004 C Bonds have been recorded as obligations of the Transportation - Capital Project Fund resulting in a deficit fund balance in that fund.

The **Board of Regents of the State of Kansas** (Regents) has issued one outstanding series of Revenue Bonds to construct a dormitory at Emporia State University. Principal and interest payments on the bonds are paid from revenues collected from the operation of the dormitory.

Sales Tax Limited Obligation Bonds

In March 1998, the Unified Government of Wyandotte County/Kansas City, KS established the Prairie Delaware Redevelopment District. The District was created for development of a major tourism area, including the Kansas International Speedway. In connection with various projects in the District, the Unified Government has issued Sales Tax Limited Obligation Revenue Bonds (STAR bonds). Pursuant to issuance of the STAR bonds, the Unified Government and the State of Kansas have entered into a Redevelopment District Tax Distribution Agreement. The agreement provides that the principal of, accreted value, and interest on the STAR bonds will be paid proportionally by the Unified Government and the State of Kansas, based on each entity's respective share of sales taxes generated within the District. The State of Kansas' proportional share is approximately 72 percent. Therefore, 72 percent of the outstanding obligation on each STAR bond issue has been recorded with the State of Kansas' long-term debt. This proportional share may change in the future if the sales taxes assessed by the local or state governments are modified.

III. Detailed Notes On All Funds

Special Obligation and Private Activity Bonds

Special obligation bonds have various revenue streams that are pledged for repayment of principal and interest. These bonds are special, limited obligations of KDFA, neither the principal of, redemption premium, if any, nor interest on these bonds constitutes a general obligation or indebtedness of, nor is the payment thereof guaranteed by KDFA or the State. Accordingly, such special obligation bonds are not included in KDFA's June 30, 2005 balance sheet. KDFA's special obligation bonds at June 30, 2005 total $1,715,108,276.

Private activity bonds are special limited obligations of KDFA and are made payable solely from a pledge of the applicable trust estate that is comprised of a particular designated revenue stream of the borrower. Accordingly, such private activity bonds are not included on KDFA's June 30, 2005 balance sheet. KDFA's private activity bonds at June 30, 2005 total $834,865,674.

Notes Payable

PMIB is authorized as directed by statute to loan funds from the State treasury to state agencies for various capital projects including the purchase of the State's printing plant and the renovation and purchase of the Landon state office building. These internal loans are recorded as loans receivable in the State treasury's cash balance in Note III, Section A, Deposits and Investments, and in corresponding amounts of notes payable in Note III, Section J, Long-term Obligations - Primary Government, Governmental Funds and Section I, Short-term Obligations.

The Kansas Water Office is charged by statute to meet, as nearly as possible, the anticipated future water supply needs of the citizens of Kansas. The agency has executed several water supply storage agreements with the Federal Government over the past 23 years for water supply storage capacity in large Federal multipurpose lakes under the provisions of the 1958 Federal Water Supply Act. Nine of these agreements provide for long-term (fifty-year) repayment with interest of the costs incurred by the Federal Government in construction of the water supply storage space. The Kansas Water Office is authorized by K.S.A. 82a-934 to enter into such agreements, subject to legislative approval through appropriations. Generally, however, receipts from the sale of water to local municipal and industrial water supply users are adequate to make the annual payments due under the long-term contracts with the Federal Government. Portions of the storage in some reservoirs have been designated as "future use" storage, and as such; the State is not required to make payments on that portion of storage until it is needed by users. The State has not recorded a liability at June 30, 2004 for portions of the storage designated as "future use" storage.

Lease Commitments

The State leases office buildings, space, and equipment. Although the lease terms vary under a variety of agreements, most leases are subject to annual appropriations from the State Legislature to continue the lease obligations. If a legislative appropriation is reasonably assured, leases are considered non-cancelable for financial reporting purposes. Any escalation clauses, sublease rentals, and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures.

Operating Leases

The State has commitments with non-state entities to lease certain buildings and equipment. Future minimum rental commitments for building and equipment operating leases as of June 30, 2005 are as follows (expressed in thousands):

Fiscal Year	
2006	$ 9,685
2007	6,973
2008	6,014
2009	4,725
2010	3,684
2011-2015	8,447
Total future minimum lease payments	$ 39,528

III. Detailed Notes On All Funds

Rent expenditures/expenses for operating leases for the year ended June 30, 2005	$ 9,139

Capital Leases

The State has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases and are reported as capital lease obligations. At the date of acquisition, the assets are valued on the statement of net assets at the present value of the future minimum lease payments. Interest expense for capital leases is not capitalized.

The following schedule presents future minimum lease payments as of June 30, 2005 (expressed in thousands):

Year Ending June 30	Governmental Activities	
	Principal	Interest
2006	$ 10,550	$ 7,132
2007	11,567	7,184
2008	9,065	6,264
2009	8,252	5,864
2010	8,043	5,485
2011-2015	43,455	25,526
2016-2020	22,016	14,553
2021-2025	20,580	9,072
2026-2030	21,986	4,091
2031-2035	4,267	110
Total	$ 159,781	$ 85,281

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2005, include the following (expressed in thousands):

	Governmental Activities
Land (non-depreciable)	$ 9,926
Buildings	91,474
Equipment	75,766
Less: Accumulated depreciation	(24,075)
Total	$ 153,091

Master Lease Purchase Program

The Master Lease Purchase Program, administered by the Department of Administration, provides low interest, equipment lease purchase financing and energy conservation project financing to State agencies. The Program began in 1985 with the issuance of Certificates of Participation and evolved into the current Program, which utilizes lines of credit. Lease purchase obligations under the Program are not general obligations of the State, but are payable from appropriations of State agencies participating in the Program, subject to annual appropriation. Financing terms of two years through fifteen years are available. The financing term should not exceed the useful life of the purchased item. The interest component of each lease/purchase payment is subject to a separate determination.

III. Detailed Notes On All Funds

Defeasance of Debt

Primary Government

For financial reporting purposes, the State has in substance defeased certain bonds by issuing additional debt. Thus, the related liability and trust assets to pay the defeased bonds have been removed from the financial statements in the year of defeasance. Defeased debt at June 30, 2005 and changes for the fiscal year then ended are as follows (expressed in thousands):

Bond Issue	6/30/04 Beginning Balance	Current Year Defeased	Payments	6/30/05 Ending Balance
Governmental Activities				
KDFA Series 1994 C	$ 0	$ 1,905	$ 1,905	$ 0
KDOT Series 1992	30,570	0	14,750	15,820
KDOT Series 1993 A	17,930	0	0	17,930
KDOT Series 1994	92,375	0	40,265	52,110
KDOT Series 1994 A	6,715	0	0	6,715
KDOT Series 1998	58,190	0	0	58,190
KDOT Series 1999	318,345	0	0	318,345
KDOT Series 2000 A	150,000	0	0	150,000
Total governmental activities	$ 674,125	$ 1,905	$ 56,920	$ 619,110
Business-type Activities				
KDFA Series 1997 1 & 2	$ 0	$ 21,175	$ 0	$ 21,175
KDFA Series 1997 II	26,515	0	0	26,515
KDFA Series 1998 1 & 2	0	16,110	0	16,110
KDFA Series 2000 II (Nov.)	54,945	0	0	54,945
KDFA Series 2000 1 & 2	0	24,635	0	24,635
KDFA Series 2002 II	4,000	0	0	4,000
KDFA Series 2002 2	0	20,315	0	20,315
Total business-type activities	$ 85,460	$ 82,235	$ 0	$ 167,695

Information for bonds defeased in the current fiscal year is as follows (expressed in thousands):

Bond Issue	Amount Defeased	Remaining Liability	Economic Gain (Loss)*	Aggregate Debt Service Reduction**
Governmental Activities				
KDFA Series 1994 C	$ 1,905	$ 0	$ 95	$ 515
Total defeased	$ 1,905	$ 0	$ 95	$ 515
Business-type Activities				
KDFA Series 1997 1 & 2, 1998 1 & 2, 2000 1 & 2, 2002 2	$ 82,235	$ 82,235	$ 6,013	$ 3,843
Total defeased	$ 82,235	$ 82,235	$ 6,013	$ 3,843

III. Detailed Notes On All Funds

Component Unit

For financial reporting purposes, the Kansas Development Finance Authority has in substance defeased certain lease revenue bonds by issuing additional debt. Thus, the related liability and trust assets to pay the defeased lease revenue bonds have been removed from the financial statements in the year of defeasance. Defeased debt at June 30, 2005 and changes for the fiscal year then ended are as follows (expressed in thousands):

Bond Issue	6/30/04 Beginning Balance	Current Year Defeased	Payments	6/30/05 Ending Balance
FHSU Series 1968	$ 80	$ 0	$ 0	$ 80
KDFA Series 1996 E	0	3,250	0	3,250
KDFA Series 1997 G-1 & G-2	0	43,935	0	43,935
KDFA Series 1999 F	0	1,055	1,055	0
KDFA Series 1999 N	19,240	0	0	19,240
KDFA Series 2001 N	0	1,820	280	1,540
KSU Series 1965	85	0	85	0
KSU Series 1966	224	0	120	104
Total component units	$ 19,629	$ 50,060	$ 1,540	$ 68,149

Information for bonds defeased in the current fiscal year is as follows (expressed in thousands):

Bond Issue	Amount Defeased	Remaining Liability	Economic Gain (Loss)*	Aggregate Debt Service Reduction**
KDFA Series 1999 F	$ 1,055	$ 0	$ 0	$ 0
KDFA Series 1997 G-1 & G-2	43,935	43,935	1,101	1,266
KDFA Series 1996 E	3,250	3,250	264	418
KDFA Series 2001 N	1,820	1,540	0	0
Total defeased	$ 50,060	$ 48,725	$ 1,365	$ 1,684

Arbitrage Rebate Payable

Estimated arbitrage rebate payables have been calculated and liabilities recorded of $388,000 for Governmental Activities, $2,003,000 for Business-type Activities, and $62,000 for Component Units.

*The economic gain is defined as the difference between the present values of the old and new debt service payments.
**The aggregate debt service reduction is defined as the difference between the refunded debt and the refunding debt.

III. Detailed Notes On All Funds

Derivative Instruments

Interest rate swap

KDFA Series 2002 J-2
Objective of the interest rate swap. As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in August 2002, the Kansas Development Finance Authority entered into an interest rate swap in connection with its 2002 J-2 lease revenue bonds. The intention of the swap was to effectively change the variable interest rate of the bonds to a synthetic fixed rate of 3.39 percent.

Terms. The lease revenue bonds mature in December 2034 and the related swap agreement matures in December 2009. The swap's notional amount of $22.58 million is equal to the par amount of the variable rate bonds. The swap agreement was executed at the same time the bonds were issued. Under the terms of the swap agreement, the KDFA pays the counterparty a fixed rate of 3.39 percent and receives a variable payment computed on the Bond Market Association Municipal Swap Index™ (BMA).

Fair Value. Because interest rates declined subsequent to the date of execution, the swap had a negative mid-market value of $189,000 as of June 30, 2005.

Kansas Department of Transportation
Objective of the swaps. In order to protect against the potential of rising interest rates, the Department of Transportation entered into three separate pay-fixed, receive-variable interest rate swaps at a cost less than what the Department would have paid to issue fixed-rate debt.

Terms, fair values, and credit risk. The terms, including the fair values and credit ratings of the outstanding swaps as of June 30, 2005, are included below. The Department's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated bonds payable.

Associated Bond Issue	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Termination Date	Counterparty Credit Rating
KDOT Series 2002 D	$ 86,875	12/17/02	5.240%	67% of USD-LIBOR	$ 93	03/01/12	Aa3/A+
KDOT Series 2002 B & C*	200,000	10/23/02	3.164%	67% of USD-LIBOR	(5,646)	09/01/19	Aa3/A+
KDOT Series 2002 B & C*	120,005	10/23/02	3.164%	67% of USD-LIBOR	(3,389)	09/01/19	As1/AA-
KDOT Series 2003 C	150,275	12/03/03	3.359%	71% of USD-LIBOR**	(4,835)	09/01/15	Aa3/A+
KDOT Series 2004 B & C	147,000	11/23/04	3.571%	63.5% of USD-LIBOR + .29%	(8,298)	09/01/24	Aa3/A+
	$ 704,155				$ (22,075)		

* - two counterparties

** - or the lessor of the Actual Bond Rate until September 1, 2010

KDOT Series 2002 D Swap - In connection with the issuance of $86,875 of variable-rate bonds to refund outstanding KDOT Series 1993A bonds, on August 27, 2002 the Department of Transportation competitively bid the sale of an option on a floating-to-fixed 67 percent of LIBOR interest rate swap. Merrill Lynch provided the winning bid with a swaption premium amount of $11,905 to be paid to KDOT in two installments of $6,500 on March 1, 2006 and $5,405 on March 1, 2007. The swaption allowed KDOT to effect a synthetic forward refunding of the Bonds to lock in savings based on then current market conditions. Under U.S. tax law, the Bonds were not eligible for a traditional current refunding until December 1, 2002. The terms of the option were structured to mirror the terms on the optional redemption feature on the Series 1993A Bonds. The swaption generated expected PV savings of $10,360 (11.92 percent of the Bonds' par amount). Merrill Lynch has since exercised the option resulting in a floating-to-fixed 67 percent of LIBOR interest rate swap.

III. Detailed Notes On All Funds

KDOT Series 2002B & C Swap - In connection with the issuance of $320,005 of variable-rate KDOT Series 2002B & C Highway Revenue Refunding Bonds, on October 3, 2002 the Department of Transportation competitively bid a floating-to-fixed 67 percent of LIBOR interest rate swap. Goldman Sachs was awarded $200,000 of notional principal and Salomon Smith Barney was awarded $120,005 of notional principal. The executed transaction consisted of a $320,005 17-year amortizing interest rate swap under which KDOT pays Goldman/Salomon a fixed rate of 3.164 percent and receives 67 percent of LIBOR. KDOT was able to take advantage of market conditions and effectively create fixed-rate debt at a rate lower that available in the cash market.

KDOT Series 2003C Swap - In connection with the issuance of $150,275 of variable-rate KDOT Series 2003C Highway Revenue Refunding Bonds, on November 20, 2003 the KDOT competitively bid a floating-to-fixed interest rate swap. The executed transaction consisted of a $150,275 12-year amortizing floating-to-fixed interest rate swap whereby KDOT pays the counterparty a fixed rate of 3.359 percent and receives the lesser of the Actual Bond Rate and 71 percent of 1-mo LIBOR until September 1 ,2010, and 71 percent of LIBOR thereafter. KDOT was able to take advantage of market conditions and effectively create fixed-rate debt at a rate lower than available in the cash market.

KDOT Series 2004B and C Swaps – In connection with the issuance of $147,000 of variable-rate Series 2004B and 2004C Highway Revenue Bonds, on November 12, 2004 the KDOT competitively bid a floating-to-fixed interest rate swap. The executed transaction consisted of a $147,000 20-year amortizing floating-to-fixed interest rate swap whereby KDOT pays the counterparty a fixed rate of 3.571 percent and receives 63.5 percent of LIBOR plus 29 basis points. KDOT was able to take advantage of market conditions and effectively create fixed-rate debt at a rate lower than available in the cash market.

Fair Value. All of the KDOT swaps had a positive fair value as of June 30, 2004. These fair values take into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction and any upfront payments that may have been received. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps.

Credit risk. As of June 30, 2005, the State has no credit risk exposure on all of its outstanding swaps because the swaps had negative or very small fair values meaning the counterparties are exposed to the State in the amount of the derivatives' fair value. However, should interest rates change and the fair values of the swaps become positive, the State could be exposed to credit risk.

The swap agreements contain varying collateral agreements with the counterparties. The swaps require collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds.

Basis risk. Basis risk is the risk that the interest rate paid by the Department of Transportation on the underlying variable rate bonds to bondholders differs from the variable swap rate received from the applicable counterparty. The Department of Transportation bears basis risk on each of its swaps. The Swaps have basis risk since KDOT receives a percentage of LIBOR to offset the actual variable bond rate KDOT pays on its bonds. KDOT is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate KDOT pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost savings from the swap may not be realized.

Termination risk. The Department of Transportation or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the respective contracts. If any of the swaps are terminated, the associated variable-rate bonds would no longer be hedged to a fixed rate. If at the time of termination the swap has a negative fair value, KDOT would be liable to the counterparty for a payment equal to the swap's fair value.

III. Detailed Notes On All Funds

K. Revisions to Beginning Net Assets

Various adjustments were made to the beginning fund balances to correct for errors in the prior year financial statements.

The following table summarizes the changes to the fund balances as reported in the prior year financial statements (expressed in thousands):

		Component Units
June 30, 2004 fund balance as previously reported	$	2,724,873
Revisions for Fund Balances:		
Correction for universities capital assets		(18,445)
University component unit revisions		(40,423)
Increase (decrease) in fund balance		(58,868)
June 30, 2004 fund balances as restated	$	2,666,005
Effects on revenue and other financing sources over (under) expenditures and other financing uses	$	0

IV. Other Information

A. Risk Management

The State maintains a combination of commercial insurance and self-insurance to cover the risk of losses to which it may be exposed. This is accomplished through risk management and various outside entity commercial insurance providers. It is the policy of the State to cover the risk of certain losses to which it may be exposed through risk management activities. In general, the State is self-insured for certain health care claims (prescription drug and dental plus three of seven medical health plan options), State employee workers' compensation, long-term disability, tort liability, personal property, and real estate property losses up to $500,000 (except where separate coverage is required by bond covenant). The State has commercial vehicle liability coverage on all vehicles, and a statewide commercial policy on real property valued at $500,000 or more (except where separate coverage is required by bond covenant). Insurance settlements have not exceeded insurance coverage for the past three fiscal years.

Coverage for health care claims for prescription drugs and dental claims plus three of seven medical health plan options and is provided by The Health and Dental Care Claims (Active Employees) Health and Hospitalization Fund for all active employees, and The Post Employment Health and Dental Care Claims Health and Hospitalization Fund for post-employment populations (retirees). Risk is managed by the performance of full experience studies twice a year. The liability for unpaid claims is the plan reimbursement for services rendered or prescriptions received where the payment to the provider, the member, or the claims administrator has not occurred. These liabilities are estimated by analyzing the prior payment patterns for the same coverage or medical option.

The State Self-insurance Fund (SSIF) is self-insured and self-administered for providing workers' compensation coverage to the State's employees. The agencies make contributions to the SSIF to cover projected losses and net expenses. The SSIF also maintains a partial reserve to reduce the likelihood of additional required contributions due to adverse loss experience. The liability represents results from an annual actuarial study for claims reported but unpaid plus an estimate for claims incurred but not reported.

The remaining risk management activities of the State are included in the State General Fund. The State has not encountered difficulty in resolving past losses by using resources available at the time the loss occurred.

The Tort Claims Fund (TCF) provides payment of compromises, settlements, and final judgements arising from claims against the State or an employee of the State under the Kansas Tort Claims Act, and costs of defending the State or an employee. When the balance in the TCF is insufficient to pay a claim, a transfer is made from the State General Fund to the TCF. The maximum claim liability allowed under The Kansas Tort Claims Act is $500,000 per occurrence or accident. At June 30, 2005 there were no material claims incurred but unpaid.

The State's self-insurance program covers all personal property losses and real estate property losses up to $500,000 (except where separate coverage is required by bond covenant). Claims in excess of $500,000 are covered by commercial insurance under a statewide policy. The statewide policy has a limit of $100,000,000 per occurrence except flood and earthquake, which are applied as annual aggregates separately to each peril, and a deductible of $5,000,000 per occurrence for most buildings. The self-insurance program for personal and real estate property loss represents an estimate of amounts to be paid from currently expendable available financial resources. At June 30, 2005 there were no material claims incurred but unpaid.

Liabilities of the funds are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR's). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of payments), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses

IV. Other Information

related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims.

The following table presents the changes in claims liability balances (both current and non-current) during the current fiscal year ended June 30, 2005 (expressed in thousands):

	Claims Liability Beginning Balance	Plus: Current Year Claims and Changes in Estimates	Less: Claim Payments	Claims Liability Ending Balance	Non-current Liability	Current Liability
Current fiscal year						
State Self-insurance Fund	$ 24,135	$ 19,604	$ (16,580)	$ 27,159	$ 24,622	$ 2,537
Health and Dental Care Claims (Active Employees) Health and Hospitalization Fund*	18,607	162,857	(161,110)	20,354	180	20,174
Post Employment Health and Dental Care Claims Health and Hospitalization Fund**	6,654	161,585	(161,110)	7,129	56	7,073
Total	$ 49,396	$ 344,046	$ (338,800)	$ 54,642	$ 24,858	$ 29,784
Prior fiscal year						
State Self-insurance Fund	$ 22,318	$ 17,125	$ (15,308)	$ 24,135	$ 19,596	$ 4,539
Health and Dental Care Claims (Active Employees) Health and Hospitalization Fund*	14,019	165,698	(161,110)	18,607	166	18,441
Post Employment Health and Dental Care Claims Health and Hospitalization Fund**	6,479	161,285	(161,110)	6,654	52	6,602
Total	$ 42,816	$ 344,108	$ (337,528)	$ 49,396	$ 19,814	$ 29,582

* Claim payments reflect all participants (active and post-employment). Claims liability ending balance reflects the active employee participant component.
** Claim payments reflect all participants (active and post-employment). Claims liability ending balance reflects the post-employment participant component.

B. Contingencies and Commitments

Litigation

The State is a defendant in numerous legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contracts, condemnation proceedings and other alleged violations of State and Federal laws. Known claims, asserted and unasserted, have been evaluated for the likelihood of an unfavorable outcome and estimates have been made regarding the amount or range of potential loss in the event of an unfavorable outcome. After review, it is the State's opinion that its ultimate liability in these cases, if any, is not expected to have a material adverse affect on the financial position of the State, except for potential litigation involving the the Kansas Department of Social and Rehabilitation Services (SRS) versus the Centers for Medicare and Medicaid Services (CMS). CMS deferred $32.6 million during the fiscal year 2003 through 2005. Counsel is optimistic that the State will ultimately be successful in any action against CMS involving this matter.

IV. Other Information

As a result of an Office of Inspector General (OIG) audit finding, the Disability Determination Services disallowed Kansas Department of Social and Rehabilitation Services (SRS) $10 million of indirect costs for fiscal years 1998 through fiscal year 2005 which were allocated through the SRS approved cost allocation plan. The SRS is currently appealing this finding.

The Kansas Department of Revenue has potential liabilities of $10.2 million for corporate tax refunds and $9.4 million in tax assessments.

Federal Financial Assistance

The State receives significant financial assistance from the Federal government in the form of grants and entitlements, including several non-cash programs. The receipt of grants is generally dependent upon compliance with terms and conditions of the grant agreements and applicable Federal regulations. Grants are subject to the Federal Single Audit Act or to financial and compliance audits by grantor agencies. Disallowances by Federal officials as a result of these audits may become liabilities of the State. The Commission on Veterans Affairs has potential liability of 3.6 million to the Federal Veterans Administration. The Department of Corrections has a total of potential liability of 0.3 million to several Federal agencies.

C. Post-Employment Benefits

Primary Government

In addition to the pension benefits described in the Employee Retirement Systems and Pension Plans note, the State provides post-employment health care benefits to retirees who elect the Kansas Choice medical option. Retirees electing this option pay less than one hundred percent of the projected costs. The monthly amount of reduced cost (subsidy) ranges from zero dollars to $98.18 for early retirees, and zero dollars to $115.13 for Medicare eligible retirees. Early retirees are defined as those retirees not yet Medicare eligible. The participant is required to pay the medical and prescription costs less the subsidy. The employer contribution is the aggregate amount of the subsidies, which is calculated into the employer contribution for active employees.

	Estimated Current Year Expenditures (Subsidies)	Eligible Participants	Enabling Legislation
Kansas Choice Post-Employment Benefits	$542,916	3,867	K.S.A. 75-6504

The State funds post-employment health care benefits on a pay-as-you-go basis as part of the overall retirement benefit. No separation of pension obligation and health insurance obligation is made and assets are not allocated between obligations.

IV. Other Information

D. Employee Retirement Systems and Pension Plans

Kansas Public Employees Retirement System - Plan Descriptions

The Kansas Public Employees Retirement System (the System) is an umbrella organization administering the following three statewide retirement systems under one plan as provided by K.S.A. 74 Article 49: Kansas Public Employees Retirement System (KPERS), Kansas Police and Firemen's Retirement System (KP&F) and Kansas Retirement System for Judges (Judges). All three systems are part of a tax-exempt, defined benefit, contributory plan covering substantially all public employees in Kansas. The Kansas Retirement System for Judges is a single employer group, while the other two are multi-employer cost-sharing groups. Participation by the State is mandatory, whereas participation by local political subdivisions is an option, but irrevocable once elected. The State Elected Officials Special Members Retirement System is also administered by the System. This system is closed to new members and only a small group is participating.

The System publishes its own financial report, which is available by contacting KPERS at 611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603 or telephone 1-888-275-5737.

The System provides retirement, death and disability benefits to State employees, public school employees and employees of counties, municipalities, and certain other State political subdivisions. Although public schools are outside the State reporting entity, the State provides the required employers' contribution for public school employees' retirement benefits.

The System's total covered salaries and wages paid were approximately $4,994.2 million. The State's total salaries and wages paid were approximately $1,698.42 million of which approximately $908.2 million or approximately 53.47 percent relates to employees participating in the System. The remaining approximately 46.53 percent represents salaries and wages paid to employees, such as educational institution employees not participating in the System, employees who have not met the required tenure of employment for participation or those employees who are classified as other than "permanent" and are not eligible for participation. Information on participating employees and retirement system membership at June 30, 2005 unless otherwise noted is as follows:

Participating Employers	Membership
KPERS	1,385
KP&F	75
Judges	1
Total	1,461

IV. Other Information

MEMBERSHIP BY RETIREMENT SYSTEMS

	KPERS	KP&F	Judges	Total
Retirees and beneficiaries currently receiving benefits	57,401	3,558	166	61,125
Terminated employees entitled to benefits but not yet receiving them	8,871	115	14	9,000
Inactive members, deferred disabled	3,004	0	0	3,004
Inactive members not entitled to benefits	28,320	941	4	29,265
Current employees	140,779	6,721	251	147,751
Total	238,375	11,335	435	250,145

Other Retirement Plans

Faculty and other eligible unclassified employees of the Board of Regents (Regents) or educational institutions under its control must participate in the Regents' retirement plan. Authorized by statute, this defined contribution plan is funded through contributions by the employees and the Regents for the purchase of retirement annuities. Employees must participate in the plan after one year of service or at date of employment if certain waiver provisions are met. The contributions are fully vested with the first contribution.

Employees participating in the Regents' mandatory retirement plan are required to contribute 5.5 percent of their salary toward the purchase of their retirement annuity. During fiscal year 2004, employees contributed approximately $28.1 million. During fiscal year 2005, the 8.5 percent employer contribution totaled $43.4 million, representing covered wages of approximately $510.5 million. These employees may also elect to participate, up to the maximum dollar amount permitted by the Internal Revenue Code, in the voluntary tax-sheltered annuity program, which allows the member to purchase a tax-sheltered annuity contract as a supplement to the basic retirement program. These employees may also elect to participate, up to the maximum dollar amount permitted by the Internal Revenue Code, in the deferred compensation program, which allows the member to defer compensation into the ING 457 program as a supplement to the basic retirement program.

On July 1, 1971, the control of the School for the Blind and the School for the Deaf was transferred from the Regents to the State Board of Education. Employees covered by the Regents' retirement at the time of the transfer could continue to purchase a retirement annuity or convert to KPERS. Employees who elected the annuity plan contribute 5.0 percent of their salary toward an annuity purchase. This is matched by a 5.0 percent employer contribution. During fiscal year 2005, $3,431 was contributed by employers for employees' annuities representing covered wages of approximately $68,611.

E. Subsequent Events

Creation of Kansas Health Care Authority

On November 9, 2004, Governor Sebelius announced the creation of a new division within the Department of Administration called the Kansas Health Care Authority. This new division will centralize health care purchases by the State. On July 1, 2005, medical services including Medicaid, MediKan, and HealthWave will be transferred from SRS to the Health Care Authority. This reorganization also includes a transfer of the administration of the Health Care Data Governing Board from KDHE to the Health Care Authority and moves the State Employee Health Plan already in the

IV. Other Information

Department of Administration to the new Health Care Authority.

SRS will be renamed the Department of Human Services to more accurately reflect its focus on direct services to Kansans. Services remaining with the Department of Human Services include economic and employment support services, child support enforcement, vocational rehabilitation, child welfare services, mental health services, addiction services and community supports and services to persons with physical and developmental disabilities.

Bonds and Notes

Short-term Debt

Certificate of Indebtedness – In July 2005, the Pooled Money Investment Board (PMIB) issued a $450 million Certificate of Indebtedness per K.S.A. 75-3725a, subject to redemption not later than June 30, 2006. See Section III-I, Short-term Obligations, for additional information on issuance of a Certificate of Indebtedness.

Accrued Receivables for Ad Valorem Taxes – In July 2005, receivables were posted to the State Treasurer's receivables in the amount of $23.7 million for the Kansas Educational Building Fund and $11.9 million for the State Institutions Building Fund per K.S.A. 76-6b11. See Section III-I, Short-term Obligations, for additional information.

Accrued Receivables for Children's Initiatives Fund – In August 2005, receivables were posted to the State Treasurer's receivables for the Children's Initiatives Fund in the amount of $26.7 million per Senate Bill No. 225, Section 98(g), Session of 2005. See Section III-I, Short-term Obligations, for additional information.

Accrued Receivables for Economic Development Initiatives Fund – In August 2005, receivables were posted to the State Treasurer's receivables for the Economic Development Initiatives Fund in the amount of $21.2 million per Senate Bill No. 225, Section 98(h), Session of 2005.

Accrued Receivables for Correctional Institutions' Building Fund – In August 2005, receivables were posted to the State Treasurer's receivables for the Correctional Institutions' Building Fund in the amount of $4.0 million per Senate Bill No. 225, Section 98 (i), Session of 2005.

Accrued Receivables for Kansas Endowment for Youth Fund – In August 2005, receivables were posted to the State Treasurer's receivables for the Kansas Endowment for Youth Fund in the amount of $202.3 thousand per Senate Bill No. 225, Section 98(j), Session of 2005.

Accrued Receivables for 27th Payroll – In July 2005, receivables were posted to the State Treasurer's receivables for the 27th Payroll in the amount of $32.7 million per House Bill No. 2482, Section 5(g), Session of 2005.

Long-term Debt

Notes – In July 2005, KDFA Bond Anticipation Note, Series 2005-2 was issued for the temporary funding of the Public Broadcasting Council Digital Conversion Project in the amount of $1,700,000.

Revenue Bonds – On October 1, 2005 the Kansas Development Finance Authority issued $32,690,000 of Kansas Transportation Revolving Fund Revenue Bonds, KDFA Series 2005-TR on behalf of the Department of Transportation. Proceeds from the sale of these bonds will primarily be used to fund loans to various cities, counties or other governmental units within the State of Kansas to finance the costs of qualified transportation projects. The 2005-TR bonds were issued with interest rates ranging from 3.00 to 5.00 percent and maturities ranging from October 1, 2006 until October 1, 2025.

IV. Other Information

Revenue Bonds – In August 2005, the KDFA issued Series 2005 CW for the Kansas Water Pollution Control Revolving Fund in the amount of $118,860,000. The proceeds from the bonds provided $62,717,684 of leveraged loan and state match funds for the program and $62,961,554 to partially refund the 1997 Series I, 1998 Series II, 2000 Series I, 2001 Series II and 2002 Series II bonds. Interest rates on the bonds range from 4.25 to 5.00 percent. The bonds final maturity is on November 1, 2026.

Revenue Bonds – In October 2005, the KDFA issued Series 2005 F for Emporia State University for the purpose of remodeling and renovating the Towers residential complex in the amount of $8,930,000. Interest rates on the bonds range from 3.25 to 4.40 percent. The bonds final maturity is on April 1, 2026.

Revenue Bonds – In November 2005, the KDFA issued Series 2005 G for the Fort Hays State University Memorial Union Renovation Project in the amount of $7,790,000. Interest rates on the bonds range from 3.30 to 4.60 percent. The bonds final maturity is on October 1, 2025.

Revenue Bonds – In November 2005, the KDFA issued Series 2005 H for various State projects including continued renovations of the State Capitol, upgrading the Department of Labor's unemployment benefit system, renovations and repairs to the Army National Guard armories, public broadcasting digital conversion projects, and the refunding of various notes and revenue bonds in the amount of $88,175,000. Interest rates on the bonds range from 3.25 to 5.00 percent. The bonds final maturity is on May 1, 2032.

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary information

Annual budgets are adopted on a cash basis with encumbrance modifications for all governmental funds. Appropriations may be re-appropriated if the balance is greater than $100, or lapsed at fiscal year end.

On or before October 1, agencies are required to submit annual or biennial budget estimates for the next fiscal year to the Division of Budget. These estimates are used in preparing the Governor's budget report. On or before the eighth calendar day of each regular legislative session, the Governor is required to submit the budget report to the Legislature. However, in the case of the regular legislative session immediately following the election of a governor who was elected to the Office of Governor for the first time, that governor must submit the budget report to the legislature on or before the 21st calendar day of that regular session.

The State maintains budgetary restrictions and controls, imposed through annual appropriations and limitations, approved by the Legislature. Agency, fund, and budget unit usually establish the level of budgetary control in the central accounting system. Budgetary control is maintained by mechanisms in the accounting system that prevent expenditures and firm encumbrances in excess of appropriations or limitations and/or available cash. Encumbrances are reported as expenditures for budgetary purposes and as reserved fund balances in the governmental financial statements in this report. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the budget unit level. The supplemental budgetary appropriations made in the General Fund were not material. Due to the volume of data, the detailed budget information at the budget unit level is not presented here.

State of Kansas

Schedule of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual

General Fund

For the Fiscal Year Ended June 30, 2005

(expressed in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues and other financing sources:				
Property tax	$ 22,900	$ 24,900	$ 22,793	$ (2,107)
Income and inheritance tax	2,184,000	2,241,000	2,350,550	109,550
State sales tax	1,650,000	1,650,000	1,647,663	(2,337)
Consumer's and retailer's compensating use tax	233,000	242,000	244,755	2,755
Tobacco and liquor taxes	191,700	189,800	191,179	1,379
Severance taxes	105,400	101,200	103,390	2,190
Insurance premiums taxes	100,000	102,000	106,828	4,828
Other taxes	52,500	44,300	51,386	7,086
Investment earnings	25,100	27,000	23,257	(3,743)
Transfers	(2,700)	(4,300)	23,562	27,862
Charges for services, other revenues and financing sources	69,000	68,000	75,908	7,908
Total revenues and other financing sources	4,630,900	4,685,900	4,841,271	155,371
Expenditures and other financing uses:				
Current:				
General government	189,564	186,614	181,169	5,445
Human resources	1,060,955	1,090,074	1,081,321	8,753
Education	3,076,606	3,077,946	3,054,655	23,291
Public safety	332,811	330,969	329,935	1,034
Agriculture and natural resources	16,331	17,074	16,849	225
Health and environment	26,727	26,654	26,229	425
Total expenditures and other financing uses	4,702,994	4,729,331	4,690,158	39,173
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(72,094)	(43,431)	151,113	$ 194,544
Fund balances, beginning of year	327,547	327,547	327,547	
Adjustment for released encumbrances	0	0	2,400	
Fund balances, end of year	$ 255,453	$ 284,116	$ 481,060	

State of Kansas

Reconciliation of the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual with the Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds for the State General Fund
For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

		State General Fund
Total net change in fund balance on budgetary schedule:	$	151,113
Less encumbrances. The budgetary schedule includes current budget fiscal year encumbrances as expenditures.		(24,009)
Add prior budget fiscal year expenditures. The budgetary schedule includes only current budget year expenditures and encumbrances.		23,534
Add accrued expenditures/payables/non-expense items not reported in budgetary schedule:		
Payables		607,591
Transfers within primary govt and to component units		41,873
Less accrued revenues/receivables not reported on budgetary schedule:		
Property Tax		(612,769)
Income and Inheritance Tax		(7,943)
Other		5,815
Changes in Fund Balance as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance	$	185,205

State of Kansas

Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual
Social and Rehabilitation Services Fund
For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues and Other Financing Sources:				
Tobacco & liquor taxes	$ 3,389	$ 3,389	$ 2,250	$ (1,139)
Operating grants	1,494,506	1,534,332	1,851,220	316,888
Investment earnings	5	5	216	211
Transfers	(19,307)	(5,868)	(265,347)	(259,479)
Charges for services, other revenues & financing sources	157,550	157,550	231,392	73,842
Total revenues and other financing sources	1,636,143	1,689,408	1,819,731	130,323
Expenditures and Other Financing Uses:				
Current:				
Human resources	1,868,592	1,880,154	1,790,720	89,434
Total expenditures and other financing uses	1,868,592	1,880,154	1,790,720	89,434
Excess of revenues and other financing sources over (under) expenditures and other financing uses	$ (232,449)	$ (190,746)	$ 29,011	$ 219,757

State of Kansas

Reconciliation of the Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual with the Statement of Revenues, Expenditures, and Changes in Fund Balances- Governmental Funds
Social and Rehabilitation Services Fund
For the Fiscal Year Ended June 30, 2004

(expressed in thousands)

	Social and Rehabilitation Services Fund
Total net change in fund balance on budgetary schedule:	$ 29,011
Less encumbrances. The budgetary schedule includes current budget fiscal year encumbrances as expenditures.	(21,965)
Add prior budget fiscal year expenditures. The budgetary schedule includes only current budget year expenditures and encumbrances.	21,792
Less accrued expenditures/payables/non-expense items not reported in budgetary schedule:	
Net Payables	(142,176)
Add accrued revenues/receivables not reported on budgetary schedule:	
Net Receivables	141,667
Changes in Fund Balance as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance	$ 28,329

Kansas Department of Transportation
Statement of Revenues, Expenditures and Other Financing Sources (Uses)
State Highway Fund (Agency's general fund)
Budget and Actual -- Budgetary Basis
For the Year Ended June 30, 2005
(amounts in thousands)

	Budgeted Amounts		Actual & Encum-brances	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Motor fuel taxes	$ 295,728	295,728	280,586	(15,142)
Vehicle registrations and permits	156,981	160,168	163,826	3,658
Intergovernmental	352,246	335,820	394,491	58,671
Sales and use taxes	94,059	94,199	93,471	(728)
Investment earnings	19,805	19,984	20,577	593
Other	4,742	6,924	5,400	(1,524)
Transfers from other state funds	3,347	2,791	4,748	1,957
Total revenues	926,908	915,614	963,099	47,485
Expenditures, with legal limits:				
Current operating:				
Maintenance	120,861	121,836	121,835	1
Construction	60,828	60,198	58,238	1,960
Local support	5,831	6,558	6,247	311
Management	51,722	53,090	51,453	1,637
Capital improvements	7,996	9,839	8,513	1,326
Transfers to other state funds	85,379	94,591	93,535	1,056
Expenditures with legal limits	332,617	346,112	339,821	6,291
Expenditures, without legal limits:				
Current operating:				
Maintenance	107,604	210,348	173,426	36,922
Local support	9,364	10,619	10,676	(57)
Management	400	5,250	957	4,293
Capital improvements	248,509	447,616	486,320	(38,704)
Transfers to other state funds	4,234	4,327	3,704	623
Expenditures without legal limits	370,111	678,160	675,083	3,077
Total expenditures	702,728	1,024,272	1,014,904	9,368
Excess (deficiency) of revenues over expenditures	224,180	(108,658)	(51,805)	56,853
Other financing sources (uses):				
Transfers-in	345,765	347,000	360,319	13,319
Transfers-out	(133,039)	(124,220)	(143,479)	(19,259)
Bond proceeds	0	0	0	0
Total other financing sources (uses)	212,726	222,780	216,840	(5,940)
Excess (deficiency) of revenues and other sources over expenditures and other uses	$ 436,906	114,122	165,035	50,913

Kansas Department of Transportation
Reconciliation of
Statement of Revenues, Expenditures and Other Financing Sources (Uses)
State Highway Fund (Agency's general fund)
Budget and Actual -- Budgetary Basis
to
Statement of Revenues, Expenditures, and Changes in Fund Balances
State Highway Fund (Agency's general fund)
For the Year Ended June 30, 2005
(amounts in thousands)

Excess (deficiency) of revenues and other sources over expenditures and other uses - Budgetary Basis	$	165,035
Budgetary basis revenues and transfers from other state funds are adjusted to GAAP basis		(15,520)
Current year encumbrances are reported as expenditures for budgetary reporting purposes		512,568
Expenditures on prior year encumbrances are not reported for budgetary reporting		(612,884)
Budgetary expenditures and transfers to other state funds have been adjusted for GAAP basis		6,472
Net Change in Fund Balance as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	$	55,671

Support of Modified Approach for Kansas Department of Transportation Infrastructure Reporting

Roadways

The highways in the State are made up of two systems: interstate highways and non-interstate highways. The condition of these systems is assessed annually using a pavement management system that measures the condition of the pavement surface to classify the roads into the following three performance levels:

PL-1 Roadway surface is in good condition and needs only routine or light preventative maintenance.
PL-2 Roadway surface needs at least routine maintenance.
PL-3 Roadway surface is in poor condition and needs significant work.

While the Department has goals to maintain these systems at higher levels, minimum acceptable condition levels have been defined as having at least 80 percent of the interstate miles in PL-1 and at least 75 percent of the non-interstate miles in PL-1. The following table compares the minimum acceptable condition level with the actual condition for the current and prior year.

	Interstate Miles		Non-interstate Miles	
Fiscal Year	Minimum Acceptable Condition Level*	Actual Condition Level*	Minimum Acceptable Condition Level*	Actual Condition Level*
2002	80%	97%	75%	91%
2003	80%	97%	75%	93%
2004	80%	95%	75%	89%
2005	80%	97%	75%	88%

*Percent of miles in PL-1

The Department's goal is to continually improve the condition of the State highway system. To achieve this goal it is necessary to perform maintenance activities and replace those assets that can no longer be economically maintained. To maintain the interstate highways at or above the stated minimum condition level it is estimated that annual preservation and replacement expenditures must exceed $110 million annually. To maintain the non-interstate highways at or above the stated minimum condition level it is estimated that annual preservation and replacement expenditures must exceed $260 million. The following table compares the estimated expenditures needed to maintain the system at a minimum acceptable condition level with actual amounts spent for the current and prior year (expressed in thousands).

	Interstate Highways		Non-interstate Highways	
Fiscal Year	Minimum Acceptable Condition Level	Actual Expenses	Minimum Acceptable Condition Level	Actual Expenses
2002	$110,000	$149,554	$260,000	$289,685
2003	$110,000	$126,711	$260,000	$311,308
2004	$110,000	$155,711	$260,000	$348,849
2005	$110,000	$144,603	$260,000	$348,629

Bridges

The condition of the bridge system in the state is assessed annually using the Pontis Bridge Management System. This system evaluates the condition of several elements (decks, girders, floor beams, columns etc) within each bridge using a rating scale of 1 to 5. These element ratings are weighted and aggregated to establish a health index of 0 to 100 for each bridge which, in turn, are aggregated to establish a health index for the entire system.

The goal of the Department is to maintain the bridge system at a higher level, but has defined an overall statewide health index of 80 as the minimum acceptable condition level. This table compares the minimum acceptable health index with the actual health index for the current and prior year.

Fiscal Year	Minimum Acceptable Health Index	Actual Health Index
2002	80	91
2003	80	92
2004	80	92
2005	80	93

The Department's goal is to continually improve the condition of the State's bridge system. To achieve this goal it is necessary to perform maintenance activities and to replace those bridges that can no longer be economically maintained. To maintain the State's bridges at or above the stated minimum acceptable health index it is estimated that annual preservation and replacement expenditures must be approximately $75 million annually. The following table compares the estimated annual expenditures need to maintain the bridges system with the actual expenditures for the current and prior year (expressed in thousands).

Fiscal Year	Minimum Acceptable Health Index	Actual Expenses
2002	$75,000	$112,012
2003	$75,000	$ 87,015
2004	$75,000	$117,671
2005	$75,000	$106,593

OTHER SUPPLEMENTARY INFORMATION

Listing of Non-Major Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes:

State Regulatory Boards and Commissions
Correctional Facilities
Tobacco Settlement for Children's Initiatives
Adjutant General
Aging
Agriculture
Attorney General
Administration
Health and Environment
Highway Patrol
Historical Society
Labor
Commerce
Insurance
Judicial
State Library
Revenue
Education
Secretary of State
State Treasurer
Wildlife and Parks
Executive
Legislative
Transportation- special revenue
State Water Plan
Transportation Revolving Fund

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds:

State Buildings (Appropriated)
Capitol Complex Buildings
Master Lease Program
Corrections
State Library
Pooled Funds
School District
Armories
KBI Buildings
Public Broadcasting Digital
Vital Statistics Project
Highway Patrol
Labor
Social and Rehabilitation Services

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principle and interest:

Bond and Interest
Highway Debt Service
STAR bond liability fund for GAAP purposes

State of Kansas
Combining Balance Sheet - Governmental Funds
June 30, 2005
(expressed in thousands)

	Special Revenue Funds				
	State Regulatory Boards and Commissions	Correctional Facilities	Tobacco Settlement for Children's Initative	Adjutant General	Aging
ASSETS					
Cash and cash equivalents	$ 46,036	$ 8,614	$ 10,900	$ 4,518	$ 8,338
Investments	3,691	0	0	0	0
Receivables, net	37	0	0	0	20,992
Due from other funds	0	0	0	0	0
Advances to other funds	41	5	0	0	0
Restricted cash and cash equivalents	0	0	0	0	0
Total assets	$ 49,805	$ 8,619	$ 10,900	$ 4,518	$ 29,330
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other liabilities	$ 5,287	$ 2,531	$ 1,713	$ 5,584	$ 25,411
Due to other funds	0	0	0	0	0
Deferred revenue	0	0	0	0	0
Advances from other funds	0	0	0	0	0
Total liabilities	5,287	2,531	1,713	5,584	25,411
Fund balances:					
Reserved for debt service	0	0	0	0	0
Reserved for encumbrances	3,766	1,461	5,527	3,332	806
Reserved for advances to other funds	41	5	0	0	0
Unreserved	40,711	4,622	3,660	(4,398)	3,113
Total fund balance	44,518	6,088	9,187	(1,066)	3,919
Total liabilities and fund balance	$ 49,805	$ 8,619	$ 10,900	$ 4,518	$ 29,330

State of Kansas
Combining Balance Sheet - Governmental Funds - Continued
June 30, 2005
(expressed in thousands)

	Special Revenue Funds				
	Agriculture	Attorney General	Administration	Health and Environment	Highway Patrol
ASSETS					
Cash and cash equivalents	$ 4,620	$ 7,594	$ 11,472	$ 42,983	$ 14,520
Investments	0	0	26,409	0	0
Receivables, net	0	0	91	282	0
Due from other funds	0	0	0	0	0
Advances to other funds	4	2	3	11,022	14
Restricted cash and cash equivalents	0	0	0	0	0
Total assets	$ 4,624	$ 7,596	$ 37,975	$ 54,287	$ 14,534
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other liabilities	$ 737	$ 1,511	$ 1,476	$ 11,435	$ 2,448
Due to other funds	0	13	0	52	0
Deferred revenue	0	0	0	78	0
Advances from other funds	0	0	0	213	0
Total liabilities	737	1,524	1,476	11,778	2,448
Fund balances:					
Reserved for debt service	0	0	0	0	0
Reserved for encumbrances	373	1,972	3,475	30,134	4,005
Reserved for advances to other funds	4	2	3	11,022	14
Unreserved	3,510	4,098	33,021	1,353	8,067
Total fund balance	3,887	6,072	36,499	42,509	12,086
Total liabilities and fund balance	$ 4,624	$ 7,596	$ 37,975	$ 54,287	$ 14,534

State of Kansas
Combining Balance Sheet - Governmental Funds - Continued
June 30, 2005
(expressed in thousands)

	Special Revenue Funds				
	Historical Society	Labor	Commerce	Insurance	Judicial
ASSETS					
Cash and cash equivalents	$ 3,830	$ 5,073	$ 40,453	$ 15,493	$ 8,751
Investments	0	0	12,474	0	0
Receivables, net	0	0	16,618	0	0
Due from other funds	0	0	0	0	0
Advances to other funds	0	10	9	8	10
Restricted cash and cash equivalents	0	0	55	0	0
Total assets	$ 3,830	$ 5,083	$ 69,609	$ 15,501	$ 8,761
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other liabilities	$ 298	$ 2,503	$ 3,815	$ 9,082	$ 1,783
Due to other funds	0	0	0	0	0
Deferred revenue	0	0	0	0	0
Advances from other funds	0	0	0	0	0
Total liabilities	298	2,503	3,815	9,082	1,783
Fund balances:					
Reserved for debt service	0	0	0	0	0
Reserved for encumbrances	176	1,247	17,816	269	7
Reserved for advances to other funds	0	10	9	8	10
Unreserved	3,356	1,323	47,969	6,142	6,961
Total fund balance	3,532	2,580	65,794	6,419	6,978
Total liabilities and fund balance	$ 3,830	$ 5,083	$ 69,609	$ 15,501	$ 8,761

State of Kansas
Combining Balance Sheet - Governmental Funds - Continued
June 30, 2005
(expressed in thousands)

	Special Revenue Funds				
	State Library	Revenue	Education	Secretary of State	State Treasurer
ASSETS					
Cash and cash equivalents	$ 121	$ 12,844	$ 19,512	$ 29,737	$ 2,434
Investments	0	0	0	0	0
Receivables, net	0	14	0	0	0
Due from other funds	0	0	0	0	8,500
Advances to other funds	0	25	1	1	43,604
Restricted cash and cash equivalents	0	0	0	0	0
Total assets	$ 121	$ 12,883	$ 19,513	$ 29,738	$ 54,538
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other liabilities	$ 49	$ 3,292	$ 3,399	$ 300	$ 52,542
Due to other funds	0	0	0	0	0
Deferred revenue	0	1	0	0	0
Advances from other funds	0	0	0	0	0
Total liabilities	49	3,293	3,399	300	52,542
Fund balances:					
Reserved for debt service	0	0	0	0	0
Reserved for encumbrances	0	2,470	2,690	1,423	(38)
Reserved for advances to other funds	0	25	1	1	43,604
Unreserved	72	7,095	13,423	28,014	(41,570)
Total fund balance	72	9,590	16,114	29,438	1,996
Total liabilities and fund balance	$ 121	$ 12,883	$ 19,513	$ 29,738	$ 54,538

State of Kansas
Combining Balance Sheet - Governmental Funds - Continued
June 30, 2005
(expressed in thousands)

	Special Revenue Funds					
ASSETS	Wildlife and Parks	Executive	Legislative	Transportation-special revenue	State Water Plan	Transportation Revolving Fund
Cash and cash equivalents	$ 29,236	$ 815	$ 152	$ 13,629	$ 16,181	$ 14,795
Investments	0	0	0	0	0	0
Receivables, net	0	0	0	4,123	3,134	12,264
Due from other funds	0	0	0	0	0	0
Advances to other funds	19	0	0	0	1	0
Restricted cash and cash equivalents	0	0	0	0	0	0
Total assets	$ 29,255	$ 815	$ 152	$ 17,752	$ 19,316	$ 27,059
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and other liabilities	$ 5,060	$ 563	$ 5	$ 548	$ 1,433	$ 1,452
Due to other funds	10	0	0	0	0	0
Deferred revenue	0	0	0	0	1,512	0
Advances from other funds	5	0	0	0	0	0
Total liabilities	5,075	563	5	548	2,945	1,452
Fund balances:						
Reserved for debt service	0	0	0	3,602	0	11,825
Reserved for encumbrances	4,041	0	0	10,707	7,168	11,201
Reserved for advances to other funds	19	0	0	0	1	0
Unreserved	20,120	252	147	2,895	9,202	2,581
Total fund balance	24,180	252	147	17,204	16,371	25,607
Total liabilities and fund balance	$ 29,255	$ 815	$ 152	$ 17,752	$ 19,316	$ 27,059

State of Kansas
Combining Balance Sheet - Governmental Funds - Continued
June 30, 2005
(expressed in thousands)

	Capital Project Funds						
	State Buildings (Appropriated)	Capitol Complex Buildings	Master Lease Program	Corrections	State Library	Pooled Funds	School District
ASSETS							
Cash and cash equivalents	$ 30,115	$ 2,662	$ 9,398	$ 22	$ 390	$ 0	$ 0
Investments	0	17,191	0	2,553	0	0	0
Receivables, net	0	155	50,021	79	0	0	0
Due from other funds	0	0	4,211	0	0	0	0
Advances to other funds	0	0	24,436	0	0	0	0
Restricted cash and cash equivalents	0	207	0	126	0	0	0
Total assets	$ 30,115	$ 20,215	$ 88,066	$ 2,780	$ 390	$ 0	$ 0
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and other liabilities	$ 3,631	$ 4,123	$ (4,678)	$ 0	$ 0	$ 0	$ 0
Due to other funds	0	0	0	0	0	0	0
Deferred revenue	0	0	0	0	0	0	0
Advances from other funds	0	0	0	0	0	0	0
Total liabilities	3,631	4,123	(4,678)	0	0	0	0
Fund balances:							
Reserved for debt service	0	0	0	0	0	0	0
Reserved for encumbrances	5,134	13,620	229	129	0	0	0
Reserved for advances to other funds	0	0	24,436	0	0	0	0
Unreserved	21,350	2,472	68,079	2,651	390	0	0
Total fund balance	26,484	16,092	92,744	2,780	390	0	0
Total liabilities and fund balance	$ 30,115	$ 20,215	$ 88,066	$ 2,780	$ 390	$ 0	$ 0

State of Kansas
Combining Balance Sheet - Governmental Funds - Continued
June 30, 2005
(expressed in thousands)

	Capital Project Funds						
	Armories	KBI Buildings	Public Broadcasting Digital	Vital Statistics Project	Highway Patrol	Labor	Social and Rehabilitation Services
ASSETS							
Cash and cash equivalents	$ 7,126	$ 0	$ 1,520	$ 1,693	$ 0	$ 3,348	$ 2,508
Investments	6,710	0	0	0	0	0	22,937
Receivables, net	61	0	0	0	0	0	220
Due from other funds	0	0	0	0	0	0	0
Advances to other funds	0	0	0	0	0	0	0
Restricted cash and cash equivalents	0	0	0	0	0	0	0
Total assets	$ 13,897	$ 0	$ 1,520	$ 1,693	$ 0	$ 3,348	$ 25,665
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and other liabilities	$ 1,049	$ 0	$ 6	$ 49	$ 0	$ 78	$ 5,077
Due to other funds	0	0	0	0	0	0	0
Deferred revenue	0	0	0	0	0	0	0
Advances from other funds	0	0	0	0	0	0	0
Total liabilities	1,049	0	6	49	0	78	5,077
Fund balances:							
Reserved for debt service	0	0	0	0	0	0	0
Reserved for encumbrances	3,500	0	0	966	0	4,194	12,883
Reserved for advances to other funds	0	0	0	0	0	0	0
Unreserved	9,348	0	1,514	678	0	(924)	7,705
Total fund balance	12,848	0	1,514	1,644	0	3,270	20,588
Total liabilities and fund balance	$ 13,897	$ 0	$ 1,520	$ 1,693	$ 0	$ 3,348	$ 25,665

State of Kansas
Combining Balance Sheet - Governmental Funds - Concluded
June 30, 2005
(expressed in thousands)

	Debt Service Funds			
	Bond and Interest	Highway Debt Service	STAR Bonds Debt Service	Total Nonmajor Governmental
ASSETS				
Cash and cash equivalents	$ 237	$ 0	$ 0	$ 431,670
Investments	352	0	0	92,317
Receivables, net	12	11,634	0	119,737
Due from other funds	0	0	0	12,711
Advances to other funds	0	0	0	79,215
Restricted cash and cash equivalents	0	61,010	34,186	95,584
Total assets	$ 601	$ 72,644	$ 34,186	$ 831,234
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and other liabilities	$ 0	$ 0	$ 0	$ 153,592
Due to other funds	0	0	0	75
Deferred revenue	0	11,498	0	13,089
Advances from other funds	0	0	0	218
Total liabilities	0	11,498	0	166,974
Fund balances:				
Reserved for debt service	0	60,716	0	76,143
Reserved for encumbrances	0	430	0	155,113
Reserved for advances to other funds	0	0	0	79,215
Unreserved	601	0	34,186	353,789
Total fund balance	601	61,146	34,186	664,260
Total liabilities and fund balance	$ 601	$ 72,644	$ 34,186	$ 831,234

State of Kansas

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

For the Fiscal Year Ended June 30, 2005

(expressed in thousands)

	Special Revenue Funds				
	State Regulatory Boards and Commission	Correctional Facilities	Tobacco Settlement for Children's Initative	Adjutant General	Aging
Revenues:					
Property tax	$ 0	$ 0	$ 0	$ 0	$ 0
Income and inheritance tax	0	0	0	0	0
Sales excise tax	3	0	0	0	0
Gross receipts tax	7,705	0	0	0	0
Charges for services	60,317	13,644	53,131	0	20,670
Operating grants	8,618	6,114	0	59,557	(34,336)
Capital grants	3,110	10	0	0	0
Investment earnings	165	53	322	1	0
Other revenues	5,655	4,836	24	732	82
Total revenues	85,573	24,657	53,477	60,290	(13,584)
Expenditures:					
Current:					
General government	43,486	0	0	922	0
Human resources	13,157	0	28,135	0	244,701
Education	501	0	8,494	0	0
Public Safety	5,576	34,351	9,000	65,005	0
Agriculture and natural resources	13,720	0	0	0	0
Highways and other transportation	0	0	0	0	0
Health and environment	0	0	1,519	0	0
Economic Development	0	0	0	0	0
Debt service:					
Principal	1,461	445	0	0	0
Interest	1,941	148	0	0	0
Total expenditures	79,842	34,944	47,148	65,927	244,701
Excess of revenues over (under) expenditures	5,731	(10,287)	6,329	(5,637)	(258,285)
Other financing sources (uses):					
Proceeds from sale of debt	0	2,136	0	0	0
Transfers, net	(3,586)	6,100	(2,672)	2,863	257,693
Other financing sources (uses)	0	0	0	0	0
Total other financing sources (uses)	(3,586)	8,236	(2,672)	2,863	257,693
Net change in fund balances	2,145	(2,051)	3,657	(2,774)	(592)
Fund balances, beginning of year	42,373	8,139	5,530	1,708	4,511
Fund balances, end of year	$ 44,518	$ 6,088	$ 9,187	$ (1,066)	$ 3,919

State of Kansas

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds - Continued

For the Fiscal Year Ended June 30, 2005

(expressed in thousands)

	Special Revenue Funds				
	Agriculture	Attorney General	Administration	Health and Environment	Highway Patrol
Revenues:					
Property tax	$ 0	$ 0	$ 0	$ 0	$ 0
Income and inheritance tax	0	0	0	0	0
Sales excise tax	0	0	0	718	2,876
Gross receipts tax	0	0	0	1,161	0
Charges for services	6,825	45,278	8,474	22,309	9,810
Operating grants	3,135	6,368	636	105,935	32,158
Capital grants	0	168	0	0	0
Investment earnings	26	18	51	405	120
Other revenues	455	793	22,832	35,049	329
Total revenues	10,441	52,625	31,993	165,577	45,293
Expenditures:					
Current:					
General government	0	11,727	28,623	0	0
Human resources	0	0	0	0	0
Education	0	0	0	0	0
Public Safety	0	10,988	0	0	52,478
Agriculture and natural resources	10,506	0	0	0	0
Highways and other transportation	0	0	0	0	0
Health and environment	0	0	0	160,502	0
Economic Development	0	0	0	0	0
Debt service:					
Principal	0	0	215	0	0
Interest	0	0	29,989	0	0
Total expenditures	10,506	22,715	58,827	160,502	52,478
Excess of revenues over (under) expenditures	(65)	29,910	(26,834)	5,075	(7,185)
Other financing sources (uses):					
Proceeds from sale of debt	0	0	0	0	0
Transfers, net	265	(29,022)	(2,031)	(1,668)	8,432
Other financing sources (uses)	0	0	0	0	0
Total other financing sources (uses)	265	(29,022)	(2,031)	(1,668)	8,432
Net change in fund balances	200	888	(28,865)	3,407	1,247
Fund balances, beginning of year	3,687	5,184	65,364	39,102	10,839
Fund balances, end of year	$ 3,887	$ 6,072	$ 36,499	$ 42,509	$ 12,086

State of Kansas

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds - Continued

For the Fiscal Year Ended June 30, 2005

(expressed in thousands)

	Special Revenue Funds				
	Historical Society	Labor	Commerce	Insurance	Judicial
Revenues:					
Property tax	$ 0	$ 0	$ 0	$ 0	$ 0
Income and inheritance tax	0	0	11,285	0	0
Sales excise tax	1,145	0	0	0	0
Gross receipts tax	0	0	0	9,813	0
Charges for services	806	2,583	2,103	8,355	12,955
Operating grants	935	19,144	53,190	311	266
Capital grants	0	0	0	0	0
Investment earnings	57	12	473	0	35
Other revenues	254	11,305	5,138	360	1,762
Total revenues	3,197	33,044	72,189	18,839	15,018
Expenditures:					
Current:					
General government	0	0	93,867	17,423	16,524
Human resources	0	35,299	0	0	0
Education	3,108	0	(2,094)	0	0
Public Safety	0	0	0	0	0
Agriculture and natural resources	0	0	10	0	0
Highways and other transportation	0	0	0	0	0
Health and environment	0	0	0	0	0
Economic Development	0	0	3,293	0	0
Debt service:					
Principal	0	0	8,930	0	0
Interest	0	0	2,313	0	0
Total expenditures	3,108	35,299	106,319	17,423	16,524
Excess of revenues over (under) expenditures	89	(2,255)	(34,130)	1,416	(1,506)
Other financing sources (uses):					
Proceeds from sale of debt	0	0	0	0	0
Transfers, net	(9)	926	32,369	(1,531)	455
Other financing sources (uses)	0	0	0	0	0
Total other financing sources (uses)	(9)	926	32,369	(1,531)	455
Net change in fund balances	80	(1,329)	(1,761)	(115)	(1,051)
Fund balances, beginning of year	3,452	3,909	67,555	6,534	8,029
Fund balances, end of year	$ 3,532	$ 2,580	$ 65,794	$ 6,419	$ 6,978

State of Kansas

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds - Continued

For the Fiscal Year Ended June 30, 2005

(expressed in thousands)

	Special Revenue Funds				
	State Library	Revenue	Education	Secretary of State	State Treasurer
Revenues:					
Property tax	$ 0	$ 0	$ 0	$ 0	$ 0
Income and inheritance tax	0	0	0	0	0
Sales excise tax	0	6,523	0	0	0
Gross receipts tax	0	190	0	0	0
Charges for services	28	12,537	4,364	4,269	2,628
Operating grants	1,646	4	376,908	13,958	0
Capital grants	0	0	0	0	0
Investment earnings	0	0	4	420	2,360
Other revenues	6	(1)	30,842	235	9,719
Total revenues	1,680	19,253	412,118	18,882	14,707
Expenditures:					
Current:					
General government	0	57,622	0	4,275	13,983
Human resources	0	0	0	0	0
Education	1,523	0	450,137	0	0
Public Safety	0	0	0	0	0
Agriculture and natural resources	0	0	0	0	0
Highways and other transportation	0	0	0	0	0
Health and environment	0	0	0	0	0
Economic Development	0	0	0	0	0
Debt service:					
Principal	0	0	0	0	0
Interest	0	0	0	0	0
Total expenditures	1,523	57,622	450,137	4,275	13,983
Excess of revenues over (under) expenditures	157	(38,369)	(38,019)	14,607	724
Other financing sources (uses):					
Proceeds from sale of debt	0	0	0	0	0
Transfers, net	(92)	37,179	50,105	62	(277)
Other financing sources (uses)	0	0	0	0	0
Total other financing sources (uses)	(92)	37,179	50,105	62	(277)
Net change in fund balances	65	(1,190)	12,086	14,669	447
Fund balances, beginning of year	7	10,780	4,028	14,769	1,549
Fund balances, end of year	$ 72	$ 9,590	$ 16,114	$ 29,438	$ 1,996

State of Kansas

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds - Continued

For the Fiscal Year Ended June 30, 2005

(expressed in thousands)

	Special Revenue Funds					
	Wildlife and Parks	Executive	Legislative	Transportation-special revenue	State Water Plan	Transportation Revolving Fund
Revenues:						
Property tax	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Income and inheritance tax	0	0	0	0	0	0
Sales excise tax	869	0	0	0	0	0
Gross receipts tax	0	0	0	0	0	0
Charges for services	29,859	117	62	179	4,002	573
Operating grants	13,225	16,944	81	0	0	0
Capital grants	0	0	0	0	0	0
Investment earnings	212	0	0	0	0	0
Other revenues	225	24	18	635	4,827	0
Total revenues	44,390	17,085	161	814	8,829	573
Expenditures:						
Current:						
General government	0	13,239	194	0	0	0
Human resources	0	0	0	0	0	0
Education	0	0	0	0	3	0
Public Safety	0	0	0	0	0	0
Agriculture and natural resources	42,094	0	0	0	9,889	0
Highways and other transportation	0	0	0	11,880	0	0
Health and environment	0	0	0	0	3,325	0
Economic Development	0	0	0	0	0	0
Debt service:						
Principal	0	0	0	0	227	0
Interest	0	0	0	0	8	0
Total expenditures	42,094	13,239	194	11,880	13,452	0
Excess of revenues over (under) expenditures	2,296	3,846	(33)	(11,066)	(4,623)	573
Other financing sources (uses):						
Proceeds from sale of debt	1,264	0	0	0	0	0
Transfers, net	1,554	(3,844)	0	12,000	10,057	0
Other financing sources (uses)	0	0	0	0	0	0
Total other financing sources (uses)	2,818	(3,844)	0	12,000	10,057	0
Net change in fund balances	5,114	2	(33)	934	5,434	573
Fund balances, beginning of year	19,066	250	180	41,304	10,937	0
Fund balances, end of year	$ 24,180	$ 252	$ 147	$ 17,204	$ 16,371	$ 25,607

State of Kansas

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds - Continued

For the Fiscal Year Ended June 30, 2005

(expressed in thousands)

	Capital Project Funds						
	State Buildings (Appropriated)	Capitol Complex Buildings	Master Lease Program	Corrections	State Library	Pooled Funds	School District
Revenues:							
Property tax	$ 40,168	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Income and inheritance tax	0	0	0	0	0	0	0
Sales excise tax	0	0	0	0	0	0	0
Gross receipts tax	0	0	0	0	0	0	0
Charges for services	0	537	0	84	0	0	0
Operating grants	0	0	0	0	406	0	0
Capital grants	0	0	57	0	0	0	0
Investment earnings	0	121	252	11	0	0	0
Other revenues	(1)	(119)	838	(84)	0	0	(24)
Total revenues	40,167	539	1,147	11	406	0	(24)
Expenditures:							
Current:							
General government	438	18,447	6,300	0	0	0	0
Human resources	4,468	0	0	0	0	0	0
Education	(14,056)	0	0	0	16	0	0
Public Safety	5,583	0	0	64	0	0	0
Agriculture and natural resources	0	0	0	0	0	0	0
Highways and other transportation	0	0	0	0	0	0	0
Health and environment	0	0	0	0	0	0	0
Economic Development	0	0	0	0	0	0	0
Debt service:							
Principal	0	4,170	8,388	9,305	0	100	0
Interest	0	4,511	2,975	4,235	0	25	0
Total expenditures	(3,567)	27,128	17,663	13,604	16	125	0
Excess of revenues over (under) expenditures	43,734	(26,589)	(16,516)	(13,593)	390	(125)	(24)
Other financing sources (uses):							
Proceeds from sale of debt	0	20,147	6,451	0	0	0	0
Transfers, net	(47,056)	7,459	0	13,358	0	125	0
Other financing sources (uses)	0	0	0	0	0	0	0
Total other financing sources (uses)	(47,056)	27,606	6,451	13,358	0	125	0
Net change in fund balances	(3,322)	1,017	(10,065)	(235)	390	0	(24)
Fund balances, beginning of year	29,806	15,075	102,809	3,015	0	0	24
Fund balances, end of year	$ 26,484	$ 16,092	$ 92,744	$ 2,780	$ 390	$ 0	$ 0

State of Kansas

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds - Continued

For the Fiscal Year Ended June 30, 2005

(expressed in thousands)

	Capital Project Funds						
	Armories	KBI Buildings	Public Broadcasting Digital	Vital Statistics Project	Highway Patrol	Labor	Social and Rehabilitation Services
Revenues:							
Property tax	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Income and inheritance tax	0	0	0	0	0	0	0
Sales excise tax	0	0	0	0	0	0	0
Gross receipts tax	0	0	0	0	0	0	0
Charges for services	166	0	0	0	0	0	781
Operating grants	0	0	0	0	0	0	0
Capital grants	0	0	0	0	0	0	0
Investment earnings	73	0	39	38	0	57	154
Other revenues	3	0	1	(1)	1	0	(171)
Total revenues	242	0	40	37	1	57	764
Expenditures:							
Current:							
General government	0	0	693	0	0	0	0
Human resources	0	0	0	0	0	557	29,327
Education	0	0	0	0	0	0	0
Public Safety	4,995	0	0	0	0	0	0
Agriculture and natural resources	0	0	0	0	0	0	0
Highways and other transportation	0	0	0	0	0	0	0
Health and environment	0	0	0	472	0	0	0
Economic Development	0	0	0	0	0	0	0
Debt service:							
Principal	225	0	205	405	625	205	2,670
Interest	670	0	266	94	259	207	3,829
Total expenditures	5,890	0	1,164	971	884	969	35,826
Excess of revenues over (under) expenditures	(5,648)	0	(1,124)	(934)	(883)	(912)	(35,062)
Other financing sources (uses):							
Proceeds from sale of debt	6,000	0	0	0	0	3,082	0
Transfers, net	557	0	438	468	883	401	5,547
Other financing sources (uses)	0	0	0	0	0	0	0
Total other financing sources (uses)	6,557	0	438	468	883	3,483	5,547
Net change in fund balances	909	0	(686)	(466)	0	2,571	(29,515)
Fund balances, beginning of year	11,939	0	2,200	2,110	0	699	50,103
Fund balances, end of year	$ 12,848	$ 0	$ 1,514	$ 1,644	$ 0	$ 3,270	$ 20,588

State of Kansas

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds - Concluded

For the Fiscal Year Ended June 30, 2005

(expressed in thousands)

	Debt Service Funds			
	Bond and Interest	Highway Debt Service	STAR Bonds Debt Service	Total Nonmajor Governmental
Revenues:				
Property tax	$ 0	$ 0	$ 0	$ 40,168
Income and inheritance tax	0	0	0	11,285
Sales excise tax	0	0	18,595	30,729
Gross receipts tax	0	0	0	18,869
Charges for services	20	777	0	328,243
Operating grants	0	0	0	685,203
Capital grants	0	0	0	3,345
Investment earnings	(3)	0	0	5,476
Other revenues	1,289	0	1	137,869
Total revenues	1,306	777	18,596	1,261,187
Expenditures:				
Current:				
General government	24	0	16,499	344,286
Human resources	0	0	0	355,644
Education	0	0	0	447,632
Public Safety	0	0	0	188,040
Agriculture and natural resources	0	0	0	76,219
Highways and other transportation	0	0	0	11,880
Health and environment	0	0	0	165,818
Economic Development	0	0	0	3,293
Debt service:				
Principal	5,220	38,460	4,091	85,347
Interest	1,283	67,528	18,781	139,062
Total expenditures	6,527	105,988	39,371	1,817,221
Excess of revenues over (under) expenditures	(5,221)	(105,211)	(20,775)	(556,034)
Other financing sources (uses):				
Proceeds from sale of debt	1,546	0	16,499	57,125
Transfers, net	5,630	117,637	0	480,775
Other financing sources (uses)	(1,956)	0	0	(1,956)
Total other financing sources (uses)	5,220	117,637	16,499	535,944
Net change in fund balances	(1)	12,426	(4,276)	(20,090)
Fund balances, beginning of year	602	48,720	38,462	684,350
Fund balances, end of year	$ 601	$ 61,146	$ 34,186	$ 664,260

Listing of Non-Major Proprietary Funds

Enterprise Funds

Enterprise funds may be used to report any activity for which a fee for goods or services is charged external users. Enterprise funds are (1) required for any activity that operates under laws or regulations that its costs be recovered with fees and charges, rather than with taxes or similar revenues, (2) required for any activity for which management establishes fees, pursuant to its pricing policy, designed to recover its costs of providing services, and (3) required for activity that is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity:

Workers' Compensation
Lottery
Intergovernmental Transfer Program

State of Kansas
Combining Statement of Net Assets - Nonmajor Proprietary Funds
June 30, 2005
(expressed in thousands)

	Business-Type Activities			
	Workers Compensation	Lottery	Intergovernmental Transfer Program	Totals
ASSETS				
Current assets:				
Cash and cash equivalents	$ 6,645	$ 5,130	$ 1,353	$ 13,128
Receivables,net	0	8,368	0	8,368
Inventories	0	1,150	0	1,150
Total current assets	6,645	14,648	1,353	22,646
Noncurrent assets:				
Advances to other funds	4,000	0	0	4,000
Capital assets (net of accumulated depreciation)	0	242	0	242
Total noncurrent assets	4,000	242	0	4,242
Total assets	$ 10,645	$ 14,890	$ 1,353	$ 26,888
LIABILITIES				
Current liabilities:				
Accounts payable and other liabilities	$ 147	$ 5,555	$ 9	$ 5,711
Due to other funds	0	4,790	0	4,790
Short-term compensated absences	6	0	0	6
Short-term portion of long-term liabilities	4,828	0	0	4,828
Total current liabilities	4,981	10,345	9	15,335
Noncurrent liabilities:				
Compensated absences	1	0	0	1
Claims and judgements	25,845	0	0	25,845
Total noncurrent liabilities	25,846	0	0	25,846
Total liabilities	30,827	10,345	9	41,181
NET ASSETS				
Invested in capital assets, net of related debt	0	242	0	242
Restricted for:				
Other purposes	(20,182)	0	0	(20,182)
Unrestricted	0	4,303	1,344	5,647
Total net assets	(20,182)	4,545	1,344	(14,293)
Total liabilities and net assets	$ 10,645	$ 14,890	$ 1,353	$ 26,888

State of Kansas

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Nonmajor Proprietary Funds

For the Fiscal Year Ended June 30, 2005

(expressed in thousands)

	Business-Type Activities			
	Workers Compensation	Lottery	Intergovern-mental Transfer Program	Totals
Operating revenues:				
Charges for services	$ 3,464	$ 207,772	$ 167	$ 211,403
Other revenue	63	1	22,745	22,809
Total operating revenues	3,527	207,773	22,912	234,212
Operating expenses:				
Personal services	199	4,203	2	4,404
Supplies and services	1,073	28,495	46	29,614
Lottery prize awards	0	112,555	0	112,555
Depreciation	0	243	0	243
Insurance claims and expenses	492	0	0	492
Other expenses	509	0	8,978	9,487
Total operating expenses	2,273	145,496	9,026	156,795
Operating income (loss)	1,254	62,277	13,886	77,417
Nonoperating revenues (expenses):				
Other expenses	0	0	(261)	(261)
Total nonoperating revenues (expenses)	0	0	(261)	(261)
Net income (loss)	1,254	62,277	13,625	77,156
Transfers in	(17)	(65,409)	(13,550)	(78,976)
Transfers out	(38)	0	0	(38)
Net change in net assets	1,199	(3,132)	75	(1,858)
Total net assets - beginning	(21,381)	7,677	1,269	(12,435)
Total net assets - ending	$ (20,182)	$ 4,545	$ 1,344	$ (14,293)

Internal Service Funds

Internal Service Funds are used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis:

Printing
Accounting Services
Motor Pool
Information Technology
Aircraft
Building Maintenance
Architectural Services
State Workers' Compensation
Capitol Security
Osawatomie Motor Pool
Wildlife Aircraft
Personnel Services

State of Kansas

Combining Statement of Net Assets - Internal Service Funds

June 30, 2005

(expressed in thousands)

	Printing	Accounting Services	Motor Pool	Information Technology	Aircraft	Building Maintenance
ASSETS						
Current assets:						
Cash and cash equivalents	$ 3,025	$ 2,865	$ 589	$ 6,810	$ 58	$ 4,577
Inventories	0	0	0	247	0	0
Total current assets	3,025	2,865	589	7,057	58	4,577
Noncurrent assets:						
Advances to other funds	4	4	1	11	0	7
Capital assets (net of accumulated depreciation)	1,604	5	1,412	10,473	0	80,018
Total noncurrent assets	1,608	9	1,413	10,484	0	80,025
Total assets	$ 4,633	$ 2,874	$ 2,002	$ 17,541	$ 58	$ 84,602
LIABILITIES						
Current liabilities:						
Accounts payable and other liabilities	$ 489	$ 364	$ 57	$ 2,730	$ 9	$ 1,086
Due to other funds	0	0	0	624	0	1,168
Short-term compensated absences	122	189	3	453	0	208
Short-term portion of long-term liabilities	175	27,247	0	0	0	1,630
Total current liabilities	786	27,800	60	3,807	9	4,092
Noncurrent liabilities:						
Compensated absences	29	45	1	108	0	50
Claims and judgements	0	236	0	0	0	0
Bonds, notes and loans payable	900	0	0	0	0	64,665
Advances from other funds	0	0	0	391	0	3,796
Total noncurrent liabilities	929	281	1	499	0	68,511
Total liabilities	1,715	28,081	61	4,306	9	72,603
NET ASSETS						
Invested in capital assets, net of related debt	529	5	1,412	10,473	0	13,723
Unrestricted	2,389	(25,212)	529	2,762	49	(1,724)
Total net assets	2,918	(25,207)	1,941	13,235	49	11,999
Total liabilities and net assets	$ 4,633	$ 2,874	$ 2,002	$ 17,541	$ 58	$ 84,602

State of Kansas

Combining Statement of Net Assets - Internal Service Funds - Concluded

June 30, 2005

(expressed in thousands)

	Architectural Services	State Workers Compensation	Capitol Security	Osawatomie Motor Pool	Wildlife Aircraft	Personnel Services	Totals
ASSETS							
Current assets:							
Cash and cash equivalents	$ 246	$ 7,806	$ 3	$ 24	$ 49	$ 157	$ 26,209
Inventories	0	0	0	0	0	0	247
Total current assets	246	7,806	3	24	49	157	26,456
Noncurrent assets:							
Advances to other funds	1	1	0	0	0	0	29
Capital assets (net of accumulated depreciation)	10	5	0	0	0	0	93,527
Total noncurrent assets	11	6	0	0	0	0	93,556
Total assets	$ 257	$ 7,812	$ 3	$ 24	$ 49	$ 157	$ 120,012
LIABILITIES							
Current liabilities:							
Accounts payable and other liabilities	$ 100	$ 1,976	$ 75	$ 21	$ 41	$ 15	$ 6,963
Due to other funds	0	0	0	0	0	0	1,792
Short-term compensated absences	44	0	44	0	0	3	1,066
Short-term portion of long-term liabilities	0	2,537	0	0	0	0	31,589
Total current liabilities	144	4,513	119	21	41	18	41,410
Noncurrent liabilities:							
Compensated absences	10	0	11	0	0	1	255
Claims and judgements	0	24,622	0	0	0	0	24,858
Bonds, notes and loans payable	0	0	0	0	0	0	65,565
Advances from other funds	0	0	0	0	0	0	4,187
Total noncurrent liabilities	10	24,622	11	0	0	1	94,865
Total liabilities	154	29,135	130	21	41	19	136,275
NET ASSETS							
Invested in capital assets, net of related debt	10	5	0	0	0	0	26,157
Unrestricted	93	(21,328)	(127)	3	8	138	(42,420)
Total net assets	103	(21,323)	(127)	3	8	138	(16,263)
Total liabilities and net assets	$ 257	$ 7,812	$ 3	$ 24	$ 49	$ 157	$ 120,012

State of Kansas

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Internal Service Funds

For the Fiscal Year Ended June 30, 2005

(expressed in thousands)

	Printing	Accounting Services	Motor Pool	Information Technology	Aircraft	Building Maintenance
Operating revenues:						
Charges for services	$ 5,992	$ 2,885	$ 556	$ 35,286	$ 144	$ 23,604
Other revenue	0	(1,889)	1,510	(69)	6	770
Total operating revenues	5,992	996	2,066	35,217	150	24,374
Operating expenses:						
Salaries and wages	2,543	3,562	4	8,872	0	5,348
Supplies and services	3,126	730	692	19,699	142	10,994
Depreciation	63	2	449	2,571	0	1,531
Insurance claims and expenses	0	0	0	0	0	0
Other expenses	0	0	0	0	0	15
Total operating expenses	5,732	4,294	1,145	31,142	142	17,888
Operating income (loss)	260	(3,298)	921	4,075	8	6,486
Nonoperating revenues (expenses):						
Interest expense	10	0	0	0	0	3,320
Other expenses	0	0	5,072	0	0	0
Total nonoperating revenues (expenses)	(10)	0	(5,072)	0	0	(3,320)
Net income (loss)	250	(3,298)	(4,151)	4,075	8	3,166
Transfers in	(176)	322	(1,648)	(1,599)	0	(859)
Transfers out	0	0	0	(345)	0	(2,429)
Net change in net assets	74	(2,976)	(5,799)	2,131	8	(122)
Total net assets - beginning	2,844	(22,231)	7,740	11,104	41	12,121
Total net assets - ending	$ 2,918	$ (25,207)	$ 1,941	$ 13,235	$ 49	$ 11,999

State of Kansas

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Internal Service Funds - Concluded

For the Fiscal Year Ended June 30, 2005

(expressed in thousands)

	Architectural Services	State Workers Compensation	Capitol Security	Osawatomie Motor Pool	Wildlife Aircraft	Personnel Services	Totals
Operating revenues:							
Charges for services	$ 1,093	$ 16,453	$ 0	$ 25	$ 63	$ 151	$ 86,252
Other revenue	66	(2,971)	1,186	0	0	(1)	(1,392)
Total operating revenues	1,159	13,482	1,186	25	63	150	84,860
Operating expenses:							
Salaries and wages	998	1,153	1,281	0	0	34	23,795
Supplies and services	78	1,306	64	34	99	26	36,990
Depreciation	6	0	0	0	0	0	4,622
Insurance claims and expenses	0	16,586	0	0	0	0	16,586
Other expenses	0	0	0	0	0	0	15
Total operating expenses	1,082	19,045	1,345	34	99	60	82,008
Operating income (loss)	77	(5,563)	(159)	(9)	(36)	90	2,852
Nonoperating revenues (expenses):							
Interest expense	0	0	0	0	0	0	3,330
Other expenses	0	195	0	0	0	0	5,267
Total nonoperating revenues (expenses)	0	(195)	0	0	0	0	(8,597)
Net income (loss)	77	(5,758)	(159)	(9)	(36)	90	(5,745)
Transfers in	0	(611)	(3)	(1)	(2)	0	(4,577)
Transfers out	0	0	0	0	0	0	(2,774)
Net change in net assets	77	(6,369)	(162)	(10)	(38)	90	(13,096)
Total net assets - beginning	26	(14,954)	35	13	46	48	(3,167)
Total net assets - ending	$ 103	$ (21,323)	$ (127)	$ 3	$ 8	$ 138	$ (16,263)

Listing of Component Units

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable:

Kansas Development Finance Authority
Kansas Technology Enterprise Corporation
Kansas Housing Resources Corporation
State University System

State of Kansas
Combining Statement of Net Assets - Component Units
June 30, 2005
(expressed in thousands)

	Kansas Development Finance Authority	Kansas Technology Enterprise Corporation	Kansas Housing Resources Corporation	State University System	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	$ 353	$ 2,778	$ 0	$ 419,211	$ 422,342
Investments	4,755	7,582	4,370	1,280,250	1,296,957
Receivables,net	18	1,492	1,993	186,237	189,740
Due from primary government	16,460	0	0	0	16,460
Inventories	0	0	0	10,803	10,803
Other assets	85	39	36	17,180	17,340
Total current assets	21,671	11,891	6,399	1,913,681	1,953,642
Noncurrent assets:					
Investments	0	0	0	503,112	503,112
Receivables,net:	31	1,255	1,393	62,565	65,244
Restricted cash and cash equivalents	0	0	483	9,759	10,242
Restricted investments	1,656	0	0	92,756	94,412
Due from primary government	269,210	0	0	0	269,210
Capital assets (net of accumulated depreciation)	97	35	288	1,286,333	1,286,753
Other noncurrent assets	0	0	0	23,031	23,031
Total noncurrent assets	270,994	1,290	2,164	1,977,556	2,252,004
Total assets	$ 292,665	$ 13,181	$ 8,563	$ 3,891,237	$ 4,205,646
LIABILITIES					
Current liabilities:					
Accounts payable and other liabilities	$ 103	$ 843	$ 411	$ 307,309	$ 308,666
Deferred revenue	300	209	45	71,078	71,632
Short-term compensated absences	0	0	73	38,954	39,027
Short-term portion of long-term liabilities	16,460	0	0	30,810	47,270
Total current liabilities	16,863	1,052	529	448,151	466,595
Noncurrent liabilities:					
Compensated absences	0	0	0	8,892	8,892
Bonds, notes and loans payable	269,210	0	323	533,602	803,135
Other noncurrent liabilities	2,051	0	0	49,219	51,270
Total noncurrent liabilities	271,261	0	323	591,713	863,297
Total liabilities	288,124	1,052	852	1,039,864	1,329,892
NET ASSETS					
Invested in capital assets, net of related debt	97	35	288	2,408,160	2,408,580
Restricted for:					
Capital projects	0	0	0	117,415	117,415
Debt service	0	0	0	24,997	24,997
Other purposes	0	342	107	123,849	124,298
Unrestricted	4,444	11,752	7,316	176,952	200,464
Total net assets	$ 4,541	$ 12,129	$ 7,711	$ 2,851,373	$ 2,875,754

State of Kansas
Combining Statement of Activities-Component Units
For the Fiscal Year Ended June 30, 2005
(expressed in thousands)

	Kansas Development Finance Authority	Kansas Technology Enterprise Corporation	Kansas Housing Resources Corporation	State University System	Totals
Expenses:					
Salaries and Wages	$ 725	$ 1,016	$ 2,139	$ 1,209,295	$ 1,213,175
Supplies and services	325	4,784	1,028	252,071	258,208
Depreciation	47	81	75	72,682	72,885
Interest expense	0	0	0	19,562	19,562
Other expenses	87	8,424	62,364	718,887	789,762
Total expenses	1,184	14,305	65,606	2,272,497	2,353,592
Program Revenues:					
Charges for services	1,744	1,349	4,020	1,029,238	1,036,351
Operating grants	0	13,150	2,822	305,079	321,051
Capital grants	0	0	0	181	181
Total program revenues	1,744	14,499	6,842	1,334,498	1,357,583
Net (Expense) Revenue	560	194	(58,764)	(937,999)	(996,009)
General Revenue:					
Taxes:					
Sales and excise tax	0	0	0	14	14
Gross receipts tax	0	0	0	895	895
Investment earnings	126	178	0	41,922	42,226
Other revenue	0	331	58,828	1,103,464	1,162,623
Total general revenues	126	509	58,828	1,146,295	1,205,758
Change in net assets	686	703	64	208,296	209,749
Total net assets - beginning	3,855	11,426	7,647	2,701,945	2,724,873
Revisions to beginning net assets	0	0	0	(58,868)	(58,868)
Total net assets - beginning (restated)	3,855	11,426	7,647	2,643,077	2,666,005
Total net assets - ending	$ 4,541	$ 12,129	$ 7,711	$ 2,851,373	$ 2,875,754

STATISTICAL

SECTION

Government Wide Expenses by Function
Last Three Fiscal Years

(expressed in thousands)

	Fiscal Year		
	2005	2004	2003
General government	$ 1,215,280	$ 896,421	$ 419,040
Human resources	3,124,978	3,210,798	2,804,932
Education	3,393,376	3,206,751	3,125,520
Public safety	514,904	457,005	446,867
Agriculture and natural resources	93,528	90,536	92,466
Highways and other transportation	679,952	777,697	798,083
Heath and environment	189,908	175,721	174,249
Economic development	3,293	0	0
Water pollution and safety	30,499	28,975	22,489
Heath care stabilization	39,897	31,450	34,955
Employment security	280,644	468,413	487,610
Workers' compensation	2,273	2,637	(38,177)
Lottery	145,496	154,778	140,103
Intergovernmental transfer program	9,287	1,210	35,953
Total	$ 9,723,315	$ 9,502,392	$ 8,544,090

Government Wide Revenues
Last Three Fiscal Years

(expressed in thousands)

	Fiscal Year		
	2005	2004	2003
Program revenues			
Charges for services	$ 1,136,440	$ 1,706,335	$ 1,612,912
Operating grants	2,663,470	2,856,496	2,958,426
Capital grants	279,991	238,304	299,433
General revenues			
Taxes	5,839,429	5,681,545	4,995,553
Investment earnings	55,908	20,963	12,786
Other revenue	331,077	338,668	355,491
Extraordinary items	0	0	45,710
Transfers	0	0	0
Total	$ 10,306,315	$ 10,842,311	$ 10,280,311

General Governmental Expenditures by Function
Last Three Fiscal Years

(expressed in thousands)

	Fiscal Year		
	2005	2004	2003
General government	$ 1,274,908	$ 883,666	$ 542,359
Human resources	3,125,941	3,207,830	2,805,640
Education	3,396,304	3,206,817	3,128,229*
Public safety	507,215	451,511	467,663
Agriculture and natural resources	91,512	89,161	91,034
Highways and other transportation	1,026,447	1,018,471	898,645
Heath and environment	190,761	175,653	175,636
Economic development	3,293	0	0
Debt service	224,409	145,979	174,377
Total	$ 9,840,790	$ 9,179,088	$ 8,283,583

General Governmental Revenues by Source
Last Three Fiscal Years

(expressed in thousands)

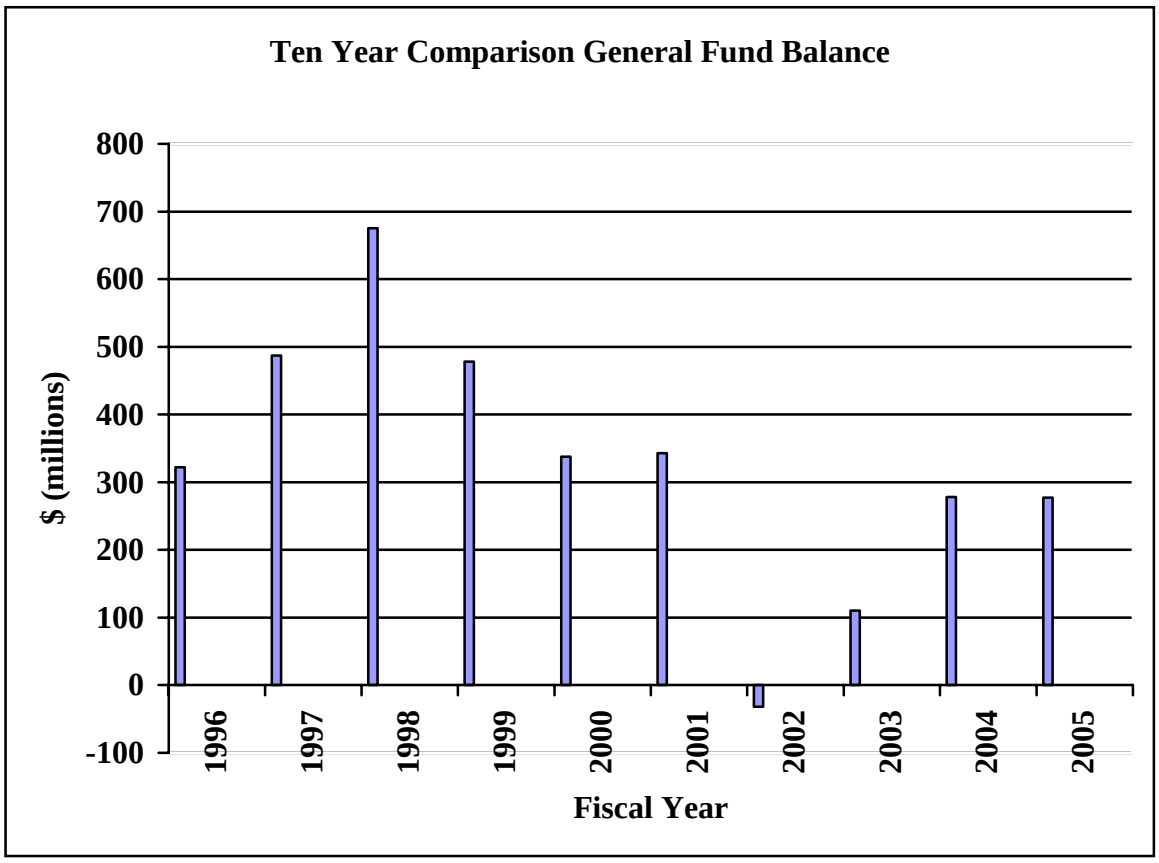
	Fiscal Year		
	2005	2004	2003
Property tax	$ 675,730	$ 654,048	$ 446,629
Income and inheritance taxes	2,369,778	2,229,224	1,953,397
Sales excise tax	2,654,863	2,710,879	2,473,761
Gross receipts tax	127,369	128,164	115,194
Charges for services	554,851	547,002	531,949
Operating grants	2,654,242	2,459,329	2,433,074
Capital grants	256,290	208,454	297,260
Investment earnings	26,411	20,963	13,636
Other revenues	283,470	277,892	161,081
Total	$ 9,603,004	$ 9,235,955	$ 8,425,981

*In fiscal year 2003 the State began recording the property taxes and their payments to the Unified School Districts.

Comparison of Resources Available for Appropriations

(expressed in thousands)

RESOURCES AVAILABLE FOR APPROPRIATIONS	2005	2004	Increase/ (Decrease)
State Treasurer's Balance at June 30	$ 368,056	$ 367,693	$ 363
Less Outstanding Obligations			
Unredeemed warrants and vouchers payable	24,655	12,153	12,502
Unliquidated encumbrances	26,295	28,261	(1,966)
Appropriation balances reappropriated	40,067	49,115	(9,048)
Total outstanding obligations at June 30	91,017	89,529	1,488
UNENCUMBERED BALANCE AVAILABLE TO FINANCE SUCCEEDING FISCAL YEAR APPROPRIATIONS AT JUNE 30	**$ 277,039**	**$ 278,164**	**$ (1,125)**



State General Fund Cash Revenues
Last Ten Fiscal Years

(expressed in thousands)

	2005	2004	2003	2002	2001
Tax revenues					
Property	$ 22,793	$ 34,757	$ 15,729	$ 18,068	$ 17,920
Income and inheritance	2,350,550	2,103,103	1,933,348	1,999,571	2,255,261
Sales and compensating use	1,892,418	1,826,570	1,793,645	1,704,675	1,673,857
Cigarette	118,979	119,789	129,250	48,040	48,784
Cereal malt beverage	2,077	2,165	2,273	2,380	2,489
Liquor enforcement	41,904	40,256	38,833	37,423	35,351
Liquor gallonage and private club	23,180	22,997	21,649	21,247	20,728
Tobacco products	5,039	4,797	4,510	4,302	4,092
Corporation franchise	40,244	36,806	31,091	18,519	16,927
Wheat	0	0	0	0	0
Car companies	812	740	758	856	887
Insurance companies	106,828	106,864	94,455	84,950	67,680
Bingo tax	390	434	450	454	519
Transient guest tax	457	422	376	376	367
Severance tax on minerals	103,390	84,639	72,775	55,681	101,537
Marijuana and controlled substances	219	177	213	258	325
Other gross receipts	2,413	2,614	2,630	11	14
Total tax revenues	4,711,693	4,387,130	4,141,985	3,996,811	4,246,738
Non-tax revenues					
Agency earnings:					
Service charges	13,318	6,475	8,079	7,701	8,012
Licenses, permits and registrations	4,364	4,427	4,772	5,098	5,081
Sales of commodities	337	400	641	647	913
Grain and pecan marketing assessments	0	0	0	0	0
Total agency earnings	18,019	11,302	13,492	13,446	14,006
Revenue from the use of money and property					
Interest and dividends	13,505	7,385	20,057	23,403	71,765
Amortization on securities	28	71	137	53	54
Total revenue from the use of money and property	13,533	7,456	20,194	23,456	71,819
Other non-tax revenues					
Gifts, donations & grants	1	0	82	0	0
Extraordinary income	0	45,710	45,710	0	0
Reimbursements and refunds	2,788	6,568	2,461	2,271	2,188
Other non-tax revenues not included in above	95,236	34,696	21,655	34,549	25,322
Total other non-tax revenues	98,025	86,974	69,908	36,820	27,510
Total non-tax revenues	129,578	105,732	103,594	73,722	113,335
Total revenues	$ 4,841,271	$ 4,492,862	$ 4,245,579	$ 4,070,533	$ 4,360,073

State General Fund Cash Revenues
Last Ten Fiscal Years – (Continued)

(expressed in thousands)

	2000	1999	1998	1997	1996
Tax revenues					
Property	$ 16,125	$ 15,771	$ 15,998	$ 15,683	$ 14,008
Income and inheritance	2,190,032	2,029,226	2,136,849	1,892,874	1,744,285
Sales and compensating use	1,635,365	1,598,542	1,536,679	1,400,602	1,329,586
Cigarette	49,124	51,181	52,095	52,931	52,359
Cereal malt beverage	2,431	2,448	2,439	2,460	2,533
Liquor enforcement	33,336	30,797	28,549	27,446	26,204
Liquor gallonage and private club	20,033	19,284	18,388	17,731	17,251
Tobacco products	3,773	3,369	3,269	3,103	2,925
Corporation franchise	16,834	15,866	15,351	14,293	13,140
Wheat	53	51	36	41	48
Car companies	866	881	873	900	866
Insurance companies	60,675	67,293	88,106	80,413	88,947
Bingo tax	303	326	319	352	351
Transient guest tax	341	338	287	257	245
Severance tax on minerals	52,969	40,932	62,558	75,713	63,581
Marijuana and controlled substances	367	400	256	323	238
Other gross receipts	18	15	20	25	24
Total tax revenues	4,082,645	3,876,720	3,962,072	3,585,147	3,356,591
Non-tax revenues					
Agency earnings:					
Service charges	8,104	8,571	8,820	8,297	8,115
Licenses, permits and registrations	4,975	5,130	5,486	5,411	5,545
Sales of commodities	342	391	748	554	732
Grain and pecan marketing assessments	47	49	64	59	52
Total agency earnings	13,468	14,141	15,118	14,321	14,444
Revenue from the use of money and property					
Interest and dividends	76,696	88,084	85,504	81,697	75,137
Amortization on securities	(4)	(61)	(906)	(14,125)	(10,916)
Total revenue from the use of money and property	76,692	88,023	84,598	67,572	64,221
Gifts, donations & grants	0	5	0	0	1
Extraordinary income	0	0	0	0	0
Reimbursements and refunds	1,944	1,628	1,729	1,448	1,503
Other non-tax revenues	29,222	24,506	26,739	22,992	25,922
Total non-tax revenues	121,326	128,303	128,184	106,333	106,091
Total revenues	$ 4,203,971	$ 4,005,023	$ 4,090,256	$ 3,691,480	$ 3,462,682

Kansas Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	Population[1]	Per Capita Income[2]	Median Age[3]	Education Level in Years of Formal Schooling[4]	K to 12 Public School Enrollment[4]	Unemployment Rate[5]
1996	2,598,000	22,977	34.75	-	466,368	4.5%
1997	2,616,000	24,182	35.00	-	467,691	3.8%
1998	2,639,000	25,519	35.25	-	469,758	3.8%
1999	2,654,000	26,134	35.50	-	469,205	3.0%
2000	2,688,000	27,439	35.25	13.28	468,347	3.7%
2001	2,694,641	28,432	35.25	-	468,171	4.3%
2002	2,715,884	29,141	35.40	-	468,173	5.1%
2003	2,723,507	29,545	35.50	-	467,326	5.4%
2004	2,735,502	31,003	(6)	-	484,262	4.8%
2005	(6)	(6)	(6)	-	466,037	5.3%

Data Sources:

(1) U.S. Bureau of the Census Web Site: http://www.census.gov.

(2) State Department of Commerce and U.S. Department of Commerce, BEA Web Sites: http://kdoch.state.ks.us and http:/www.bea.gov

(3) State Department of Health and Environment Web Site: http://www.kdhe.state.ks.us.

(4) State Department of Education Web Site: http:// www.ksde.org . The Source for education level in years of formal schooling came from 1990 and 2000 census reports issued by the U.S. Census Bureau. The school enrollment represents the head count as of September 20 of each year.

(5) State Department of Labor, Kansas Labor Market Information Services Web Site: http://laborstats.dol.ks.gov.

(6) Information is not available at this time.

Major Employers in Kansas

Company Name	City	Local/Total Employees	Line of Business
Koch Industries Inc.	Wichita	2,000 / 30,000	Oil, chemical technology and other products
Yellow Transportation Inc.	Shawnee Mission	1,000 / 23,000	Motor carrier
Raytheon Aircraft Company	Wichita	9,000 / 16,000	Aircraft manufacturing and headquarters
Sprint Spectrum LP.	Shawnee Mission	1,400 / 13,000	Personal communications services
Spirit Aerosystems Inc.	Wichita	8,000 / 8,000	Aircraft parts and equipment manufacturing
Via Christi Regional Med. Ctr.	Wichita	4,000 / 4,100	Hospital
Employers Reinsurance Corp.	Shawnee Mission	1,000 / 4,000	Reinsurance company
Coleman Company Inc.	Wichita	2,000 / 3,690	Mfg lighting equipment , sporting goods, and plastic products
Stormont-Vail Healthcare Inc.	Topeka	1,748 / 2,778	Hospital
University Kansas Hosp Auth.	Kansas City	2,750 / 2,750	Hospital
Grafton Inc.	Shawnee Mission	1,000 / 2,700	Help supply services and employment agency
Olathe Medical Center Inc.	Olathe	1,000 / 2,500	Hospital
Stormont-Vail Healthcare Inc.	Topeka	2,000 / 2,000	Acute care physician clinic
Conspec Marketing & Mfg. Co.	Kansas City	1,900 / 1,900	Construction chemicals manufacturing
Shawnee Mission Med. Ctr. Inc.	Shawnee Mission	1,783 / 1,850	Acute hospital
St. Francis Health Center	Topeka	1,000 / 1,724	Hospital
Deffenbaugh Industries Inc.	Shawnee Mission	1,200 / 1,500	Refuse system local trucking operator
American Pizza Partners LP.	Wichita	1,422/1,450	Pizza restaurants
Lawrence Memorial Hospital	Lawrence	1,000 / 1,200	General hospital

Overland Solutions Inc.	Shawnee Mission	1,000 / 1,180	Premium audits and loss control surveys
Coleman Int'l Holdings LLC.	Wichita	1,100 / 1,100	Consumer products for outdoor and household cooking manufacturing
Wolf Creek Nuclear Oper. Corp.	Burlington	1,021 / 1,021	Nuclear power plant
Providence Medical Center Inc.	Shawnee Mission	1,021 / 1,021	General hospital and skilled nursing care
First Excess Reinsurance Corp.	Shawnee Mission	1,000 / 1,000	Fire and casualty reinsurance carrier
Hutchinson Hospital Corp.	Hutchinson	1,000 / 1,000	Skilled nursing care facilities

Source: Dun & Bradstreet Corporation, 2005 D & B Million Dollar Databases.

KANSAS FACTS

General Information

Admitted to Union (34th State)……...…January 29, 1861
Capital……...……Topeka
Population per U.S. Census, estimate, 2004……...……...…2,735,502
Population per square mile per U.S. Census, estimate, 2003……...33.29
Counties…….…..….105

State Symbols

Nickname……..…….Sunflower State
Motto…….Ad Astra per Aspera (To the stars through difficulty)
Song…….…...…....Home on the Range
Flower…...……....Native Sunflower
Tree…….…...Cottonwood
Bird……..…….…Western Meadowlark
Animal……..…….…..American Buffalo
Fish…….……..Channel Catfish
Insect……..…….…….Honeybee
Reptile……..……..…..Ornate Box Turtle
Soil……..…….....Harney Silt Loam
Amphibian……..……..Barred Tiger Salamander

Area

Total Area……..……..……82,282 square miles
Land Area……...……..….81,823 square miles
Water Area……..…….……459 square miles

Recreation

Number of State Parks…….……..25
Number of State Trails……...…….……..11
Number of Lakes (100 acres or larger)……...…….…….43

ALLEN, GIBBS & HOULIK, L.C.
Certified Public Accountants & Consultants
Epic Center • 301 N. Main, Suite 1700
Wichita, Kansas 67202-4868
(316) 267-7231 • FAX (316) 267-0339
www.aghlc.com

Berberich Trahan & Co., P.A.
Certified Public Accountants
3630 SW Burlingame Road
Topeka, KS 66611-2050
Telephone 785 234 3427
Toll Free 1 800 530 5526
Facsimile 785 233 1768
E-mail cpa@cpakansas.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Legislative Post Audit Committee
Kansas State Legislature

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Kansas (the State) as of and for the year ended June 30, 2005, and have issued our report thereon dated December 23, 2005. We did not audit the financial statements of the various component units of the six state universities which represent 33 percent and 27 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the six state universities aggregate discretely presented component units, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the State's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the inancial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the State's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct of material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the State of Kansas Legislative Post Audit committee, management, Federal awarding agencies and past-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Allen, Gibbs & Houlik, L.C.

December 23, 2005
Wichita, Kansas

Berberich Trahan & Co., P.A.

December 23, 2005
Topeka, Kansas